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PROHIBIT FEEDING OF LIVESTOCK BY CERTAIN PACKERS

HEARINGS BEFORE THE SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

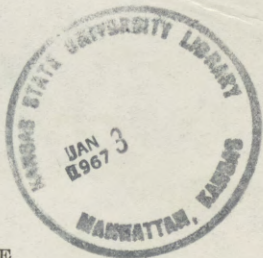
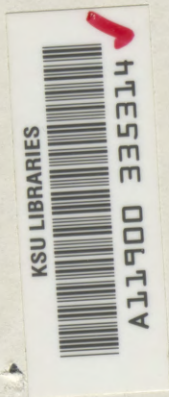
ON

H.R. 12115, H.R. 12868, H.R. 13587, and H.R. 18172

APRIL 21, 22, OCTOBER 5, AND 6, 1966

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PROHIBIT FEEDING OF LIVESTOCK BY CERTAIN PACKERS

THURSDAY, APRIL 21, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Des Moines, Iowa.

The subcommittee met, pursuant to notice, at 10 a.m., in the chambers of the House of Representatives, Capitol Building, Des Moines, Iowa, Hon. Graham Purcell (acting chairman of the subcommittee) presiding.

Present: Representatives Purcell, Olson, Callan, Bandstra, Redlin, and Greigg.

Also present: Representatives Schmidhauser, Schisler, and Smith. Fowler C. West, staff assistant of House Committee on Agriculture.

Mr. PURCELL (presiding). The subcommittee will please come to order.

The subcommittee is met this morning to hear testimony regarding H.R. 12115 by Mr. Bandstra.

I will call Mr. Kenneth Schuman, president of the Iowa Farmers Union. If you will please come around and present your statement.

Do you have copies of your statement?

Mr. SCHUMAN. Yes.

Mr. PURCELL (presiding). All right. You will proceed, please, sir.

STATEMENT OF KENNETH SCHUMAN, PRESIDENT OF THE IOWA FARMERS UNION

Mr. SCHUMAN. Mr. Chairman, Congressman Bandstra and members of this House Agriculture Subcommittee, I am Kenneth Schuman, president of the Iowa Farmers Union. I represent 5,500 farm families of the State of Iowa, who are very much concerned about the problems of farm income.

Modern agriculture has the ability to produce more than the cash market calls for. Thinking farmers know the need for supply management and know that Federal farm programs can most adequately supply the machinery to fit the need. For this reason, we in Farmers Union want to take this opportunity to express our appreciation to the members of the House and Senate Agricultural Committees for providing the governmental leadership in extending the present farm bill for a 4-year period.

I am here today to express our approval and support of the basic concepts of the provisions incorporated into H.R. 12115, more commonly known as the Bandstra bill, designed to keep the meatpacking

companies and their officers out of the cattle feeding business. Family farmers have seen the broiler chicken business, the egg business, much of the fruit and now the cattle business slipping away from them into the hands of nonfarm vertically integrated corporate factories-in-the-fields. They are moving into the production of the commodities that have supplied the income for thousands of family farmers. I have been warning Iowa farmers for 6 years now that if this trend continues, it can put the American farmer in the same position as the European peasants of the dark ages. What good does it do for a farmer to produce even top quality products at cutthroat prices if someone else controls the markets. It is encouraging to see the current interest now in support of the Bandstra bill.

Much credit for this increased interest goes to the news media of our State. They have been reporting on the development plans for giant feedlots here in Iowa by nonfarm groups. Special mention is due to Ron Harley, of the Des Moines Register and Tribune for his articles and stories on this subject.

One of the stories confirms the report that the Kern Land Co. of southern California owns large feedlots in western Nebraska, and has plans to increase its size. From other sources I have heard that in just one transaction this company bought 90 carloads of cattle from the large ranch owned by the Gates Rubber Co. of Denver, Colo. These cattle never entered the public yards where bidders could help establish price.

It was stories such as these that helped awaken the Iowa farmers to the dangers at hand. As a result it took us less than 2 weeks time to get a planeload of farmers to fly to Washington, D.C., on March 1 and 2, of this year to lobby for this bill that you are considering here today. We had more people than we could accommodate, ready and willing to go to Washington at their own personal expense to focus congressional attention on this bill. They wanted to make sure that it did not die a natural death somewhere along the legislative route. You can see then why farmers are happy that you gentlemen have come to our area to hold this hearing.

In my 20 years of experience in farm organization work I have not seen any issue that has received such widespread support. It was interesting to note that almost half of the people on our fly-in were not members of Farmers Union. Many have joined since. Exhibit A is a copy of our recent official publication the Iowa Farmers Union Spotlight which carries pictures and stories about the fly-in.

There are those who say restricting corporate feedlots will infringe on the rights and freedoms of some individuals. This is true, but it would restrict the rights of only a few in order to protect the many. It is the same philosophy that says no individual may use his own personal liberties to rob a bank. The Sherman antitrust laws were passed to prevent monopoly or a trend toward a monopoly. H.R. 12115 would follow through on that same basic concept.

Giant vertically integrated feed lots can and are being used to the disadvantage of the family farmer. You will note, following through on this same basic concept, that the chart shows it was 1962 when the price dropped to below 24 cents. Exhibit B is a prime example. This chart shows that chainstores owning feed lots near Denver bought only 11 to 200 head of choice steers each week at the public market during the months of November and December, when the prices were

up near 30 cents. This was 1962. When the price dropped to below 24 cents, then they bought from 700 to 1,246 head each week, from the latter part of January through March. Their same basic pattern of buying showed a similar pattern through the rest of the study. This is proof that farmers would never get top market for the year, as long as the packers had their own supply, either from their own feed lots or under direct contract. One of our members told me last fall that a meatpacking company would not take his sheep when he wanted to sell them, because they had their own under contract that they were calling in at that time. I have urged him to come here and tell you his own story.

Some say that the meatpacking companies need a few cattle of their own to start the plant up on Monday morning. To that we say "nuts!" let them buy the week before, or else bid higher on Monday morning, and they will get the cattle they need.

I have mentioned only a few of the reasons that we in Farmers Union vigorously urge the passage of this Bandstra bill. Frankly we feel that the bill does not go far enough. It should apply to the poultry industry, as well as red meat. There are many others who may not be tied directly to a meatpacking plant, but they are still operating large feed lots, which are basic to family farmers, which would be harmful to the best interest of the family farmers. We need protection.

No person can become a doctor, lawyer, electrician, plumber, barber, banker, or insurance man, unless he gets a license or special permit. Yet there is still open season on farming. Anyone can get into the act. They tell us that other groups need licenses to prove their knowledge and ability. This may sound good, but we know the main reason is to eliminate competition. They make it difficult for a person to enter their field of business and thereby protect themselves to a degree, at least, from competition. Farmers need the Banstra bill and more to protect their interests.

While the opportunity presents itself here this morning, may I take the liberty to call your attention to what I mean when I say we need more to help farmers. The Hull bill, H.R. 7527, which would also strengthen and update the Packers and Stockyards Act, should be enacted into law. Congress should take action to harness the Federal Reserve Board so they cannot continue to be a law unto themselves and raise interest rates any time the big bankers get in the mood. Make sure the Department of Agriculture or the Department of Health pay the cost of meat inspection. We oppose the idea of having the meatpacking companies pay the cost of inspection. The quality of inspection is sure to suffer and the costs would eventually pass back to the farmer and rancher. And one more item, let's continue to export hides if foreign countries want to buy them.

Exhibit C is a sample of material we are using to stimulate interest on the subjects mentioned.

In closing I wish to express the appreciation of our members and myself to this committee and to Congressman Bandstra for your serious consideration on this bill.

Thank you.

(Exhibit A referred to above may be found in the files of the committee. Exhibits B and C follow:)

EXHIBIT B

Choice Steer Prices Denver

With Market Activity of Chain Store

Owning Feed Lot Nearby

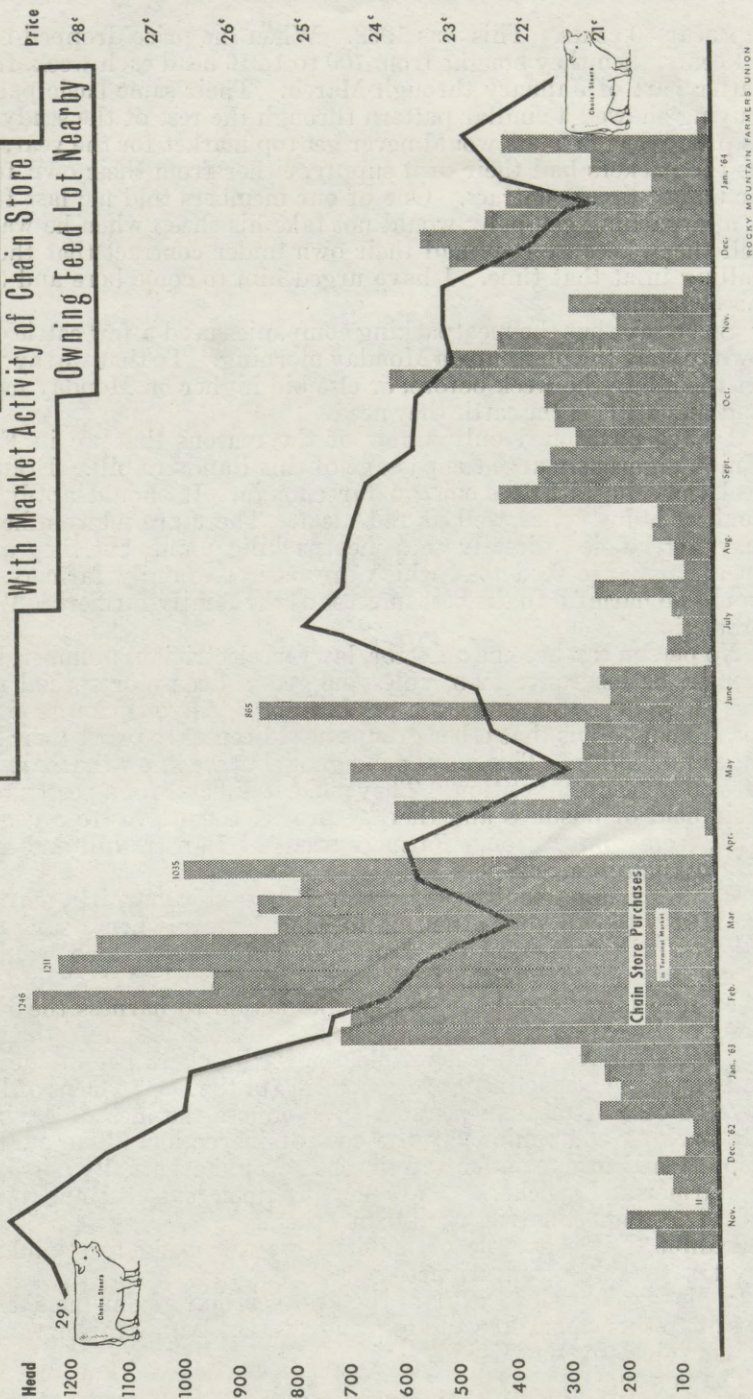


EXHIBIT C.

ATTENTION LIVESTOCK MEN

YOUR FUTURE IS BEING CHALLENGED BY UNFAIR COMPETITION FROM
NONFARM CORPORATE VERTICALLY INTEGRATED UNITS

You can help protect your financial interest by making your voice heard in support of the following legislative measures:

1. Keep meatpacking companies and their officers out of the cattle feeding business by supporting Iowa Congressman Bert Bandstra's bill H.R. 12115.

2. Support Missouri Congressman Hull's bill H.R. 7527 which will strengthen the Packers and Stockyards Act. This act requires the Department of Agriculture to be responsible for the enforcement of the antitrust law enforcement relating to meat and meat products.

3. Protest the recent increase in interest rates. Citizens' demand can force Congress to take action.

4. Insist on having the U.S. Department of Agriculture continue to pay for meat inspection.

Farmers Union is doing everything it can to support these measures. Will you add your voice to ours by joining Farmers Union now? It takes both membership and finances to be effective. Farmers Union needs your help.

Iowa Farmers Union sponsored a fly-in to Washington, D.C., March 1 and 2, 1966, to support the Bandstra bill.

Mr. PURCELL. Mr. Callan, do you have any questions?

Mr. CALLAN. No.

Mr. PURCELL. Mr. Greigg?

Mr. GREIGG. No, sir.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. Mr. Schuman, have you or can you document for us any changes that may have taken place in this area, because of the fluctuation of prices, or that may or may not be connected to that fluctuation of prices in the last, say, 2 years?

Mr. SCHUMAN. Well, we think that a lot of the fluctuation is due in part to the effectiveness of our Federal grain program. Farmers, for example, got tired of raising hogs and other livestock, hogs especially, for a very low price, when they could get a dollar and a quarter for their corn.

Mr. OLSON. Mr. Schuman, what I was trying to get at, would you think that there has been an acceleration of integration because of higher cattle prices? What happens; does the trend go up or down in relation to the price of livestock?

Mr. SCHUMAN. Well, I think that more than anything else just the fact the nonfarm people are looking for places to invest their money; and this may have more effect on it than the fluctuation of prices, because of a lot of these big groups who want to put up their own meatpacking plant, and make whatever profit there is. They feel it will assure a steady flow of livestock through their plants, and so on, and they are getting in this business then. They feel they would have a

steady flow of livestock whether the price was extremely high or lower.

Now if it got real low they may not bother with their own livestock, because they could buy from the farmer cheaper than they could produce themselves, as shown here in exhibit B; but I think this is a trend that is going to continue, and perhaps be accelerated, regardless of whether the price of cattle is at 30 cents or down as low as 20 cents.

MR. OLSON. In other words, you feel the profit incentive might have something to do with this? I conclude from your remarks this would encourage integration in this field by large companies, by other than family farmers; is that right?

MR. SCHUMAN. I believe this would be true; yes, sir.

MR. OLSON. Who set the livestock market as presently it is set; can you tell me about that?

MR. SCHUMAN. Well, this is the same question a lot of farmers are concerned about, too. We used to feel the public market was a very, very instrumental device in setting prices. It had some limitations. Some farmers are critical of certain aspects and operations of it. We feel this had many advantages over the present method, where a meatpacking company now runs their own through.

We think currently the chainstores have more to do with setting the price. They tell the meatpacking company how much they are going to pay, and the meatpacking company backs it off. That is about it.

We feel the more direct buying, the more cattle that are produced in the feedlots owned by the meatpacking company, or under their strict control by a contract, would have a bad effect on determining the overall price, as far as the family farmer is concerned.

MR. OLSON. That is all.

MR. PURCELL. Mr. Redlin.

MR. REDLIN. No questions.

MR. PURCELL. Mr. Bandstra.

MR. BANDSTRA. Mr. Schuman, as I understand it then, it is your position that as soon as you have cattle that do not move through a central market that this reduces competition and therefore has the effect of destroying the central market; is that correct?

MR. SCHUMAN. This is correct in our view. We know when the buyer comes out to individuals to buy cattle he refers to the market as being set at the public market; and yet, if you don't get very many cattle to set the public market, how can you determine a fair value or get much bargaining when very few cattle are there to bid on?

MR. BANDSTRA. As a matter of fact, there is no competition. What competition may be in the public market is between the buyers and packers, as such, as we would describe them, and competition simply wouldn't be there. We wouldn't have a competitive market; isn't that correct?

MR. SCHUMAN. That is correct. I was talking to some of our members just this past Sunday after the question came up, "Who is going to set the price of cattle being produced by meatpacking companies or vertically integrated groups?" Now, I don't know who will set the price. We will have to take what comes without any protection for the farmer.

Mr. BANDSTRA. In other words, the central market does provide somewhat of a guideline or some good information to the farmer as to what his product is actually worth?

Mr. SCHUMAN. That has been our feeling, yes.

Mr. BANDSTRA. I had one other question. You refer to the anti-trust law, the Sherman Antitrust Law. Now are you familiar with the consent decree of 1920, in which the five large packers of the country entered into a decree with the Justice Department, by which they agreed to stop vertical integration, both forward into the retailing meat business and also backwards, as owners in public stockyard farms? Are you familiar with that decree?

Mr. SCHUMAN. Yes, I am, Congressman.

Mr. BANDSTRA. Is it your feeling this basically is the same thing we are trying to get at in this bill?

Mr. SCHUMAN. That is correct. This is one of the many reasons we feel we have past experience or history on which to base our thinking on this particular bill, because if it is improper for the big meat-packing companies to go into the retail business, then it should be just as wrong for the retail business to go into the meatpacking business.

If we are going to have restrictions, we think it is proper to go one step further and have protection to the family farmer by saying these groups should not be in the production of livestock or other agricultural commodities.

Mr. BANDSTRA. This consent decree of 1920, as you know, also required that the five large packers divest themselves of any interest in public stockyards. For example, I notice, from reports that go back about 1924, that they owned just about a hundred percent of the stock in the Sioux City stockyards.

I also notice that from some of the recent legal history of this case that they didn't comply with the decree which they voluntarily entered into, until about 10 years later, before they finally spun off and got rid of their interest, or were required to get rid of their interest in these public stockyards.

Now what could possibly be their interest in wanting to hang onto their control of these public stockyards in your judgment?

Mr. SCHUMAN. Well, it must have been to their financial advantage to do so. In fact, I read one time from some of the preamble to their constitution and bylaws, when they set up the public yard in Chicago that the whole sole purpose was to help get cattle at a more reasonable price for themselves. There was no concern for the producer in setting up the public yards. This was many, many years ago. We assume this same basic concept was designed to help the meatpacking company to get cattle at a more reasonable price.

Mr. BANDSTRA. Well, it has been a long time ago, Mr. Schuman. The truth of the matter is a Federal district court of the United States ruled in 1960 on an application they had to throw out this decree. So it is really quite current, and they are still attempting to get rid of the consent decree, which they voluntarily entered into in 1920—more than 45 years ago.

I appreciate your testimony and your statement that you have made before the committee.

Mr. PURCELL. Mr. Schuman, I have just one or two questions. What would be your thinking, if this Bandstra bill is made into law, on forbidding feeders from going into the packing business then?

Mr. SCHUMAN. Well, we would assume that what is fair for one would be fair for the other. They should determine whether or not they want to be in the meatpacking business or the production business.

The Bandstra bill does provide that the person could own up to 5 percent of the stock and not be a feeder by it. We think this is fine. And there is the exception of the packer whose sales are less than a million dollars. This is fine, because it would leave some leeway for the average person.

Mr. PURCELL. But you and your organization would favor, with the exceptions that are given to the packers, prohibiting feeders from packing?

Mr. SCHUMAN. Our organization, over a period of years, has been very sympathetic to ideas of farmer cooperatives. We think this is a step in the right direction. We do know there has been some thought and some discussion as to whether or not this bill would prevent farmers from entering their own cooperatives to take this product to the consumer.

This same argument came up some 5 or 6 years ago in discussion over the Congressman Roosevelt bill, and they finally arrived at a figure that they were talking about of \$30 million exception, instead of the \$1 million.

Again, if you will notice, in my original statement I said we are in support of the basic contents of the Bandstra bill.

Frankly, as far as our organization goes, we have been sympathetic toward cooperatives, and we would like to see the cooperatives have some leeway in this regard.

Just as to how the details would be worked out, I am not enough of any attorney to know what to do or to say what would be fair or reasonable, but, if it should come to a decision one way or the other, I think perhaps in the long run the family farmer is better off with the Bandstra bill, even though it would interfere with the cooperative's efforts in marketing, than it would be to not have the bill at all.

Another alternative would be to raise the exception from 1 million to 35 or 30. This was the figure you used in the discussion of the Roosevelt bill.

Mr. PURCELL. Mr. Schuman, you don't hold a public office, do you?

Mr. SCHUMAN. No. Just in our own private organization. I am president of the Iowa Farmers Union.

Mr. PURCELL. Well, in this last discussion that you and I have had, you remind me of some of my colleagues. I was not sure whether you had practice in public life or whether you were just speaking as a farmer.

Let me try once more then. Now, do I treat your statement fairly if I say that you feel that the farmer, through cooperatives, ought to be allowed to organize a packing company, although no packing company can feed cattle, with the one or two exceptions that are provided for in this bill?

Mr. SCHUMAN. We would like to see this happen, if possible, but if it is not possible, then we would prefer to have the Bandstra bill, in spite of this.

Do I make myself clear? We would like to see farmers' cooperatives excelling, if possible, but if not possible it would be better to have the Bandstra bill to stand in the way of some cooperatives' pro-

grams than not to have the Bandstra bill at all, because the farmer is even worse off without the bill.

Mr. PURCELL. You would rather not take the same sauce as the other side is getting, but if you have to you will take it before you will put up with the continuation of feeding by packers?

Mr. SCHUMAN. That is correct.

Mr. PURCELL. All right, sir. Are there any other questions?

Mr. BANDSTRA. Yes. Let me just straighten this cooperative business out. I am not really quite clear in my own mind as to what you mean.

Mr. SCHUMAN. I gather from this bill that a cooperative would be prohibited from feeding cattle as a cooperative. In other words, the co-op cannot set up feed lots and feed the cattle as a co-op, but the co-op would not be prohibited from having a packing plant under this bill nor would the members of the co-op be prohibited from feeding cattle, if they don't own more than 5 percent of the stock in the co-op.

Mr. BANDSTRA. How many farmers own more than 5 percent of the stock in the co-op?

Mr. SCHUMAN. Very few, if any, because of the nature of it.

Mr. BANDSTRA. This will apply to officers of the co-op. I don't know, if I was a member of the co-op, if I would want one of the officers of my company feeding cattle. He would be in the same position in relation to the rest of his members as the packers are now in relation to the family size farmer; is that correct?

Mr. SCHUMAN. Yes, sir.

Mr. BANDSTRA. Really, this might work out all right. Anyhow, the co-op could still function and set up a packing plant, if they so desired. The only prohibition would really be against them as feeding cattle as a separate legal entity and as a cooperation. Of course they could still have their co-op arrangement with the members of the cooperative who could feed cattle as long as they owned less than 5 percent of the stock in the co-op.

Mr. SCHUMAN. It is my thinking, and correct me if I am wrong, Congressman, that the farmers could organize a cooperative feed lot and a separate packing lot. This would not be in conflict with what we are talking about in this bill; is that correct?

Mr. BANDSTRA. I would think as drafted the co-op would be prohibited from feeding cattle, because it says, " * * * for any packer whose gross sales were more than \$1 million during the preceding calendar year, or for any officer, director, or owner of more than 5 percent of the stock thereof." In other words, the prohibition applies to the corporation as such, as I read it.

Mr. SCHUMAN. If it is in the meatpacking business, but isn't it possible to have one co-op with feed lots and a separate co-op entity packing plant? This would not be in conflict there with it, would it?

Mr. BANDSTRA. Well, I don't know. This, I think, may be possible.

Mr. PURCELL. Well, now let me come at you once more, Mr. Schuman. Now disregarding the language in this bill, or in any bill, I now take it, from your testimony, that you are perfectly willing then for farmers to be in the packing business by just using some legal

maneuver to create the legal situation to get around the bill; am I correct on that?

Mr. SCHUMAN. This would be correct, because no farmer would own more than 5 percent of the stock anyway, and this would be compatible; wouldn't it?

Mr. PURCELL. I don't have to answer you; you have got to do that. I just sit up here and ask the questions.

Mr. SCHUMAN. I'm sorry.

Mr. PURCELL. I am asking about the principle of the thing in your mind. If you can figure out some way to have a farmer packing, you are for it?

Mr. SCHUMAN. If it is compatible with the law, yes.

Mr. PURCELL. It has got to be compatible with the law, or you will get put in jail or something, but as far as the moral principle is concerned, if you can figure out some way to have a farmer or yourself, or any one farmer get in the packing business, that is all right?

Mr. SCHUMAN. Yes, sir.

Mr. PURCELL. But you don't want the packer getting over in the feeding?

Mr. SCHUMAN. Yes.

Mr. CALLAN. Would the gentleman yield on that point?

Mr. PURCELL. Yes, sir.

Mr. CALLAN. I don't think it makes any difference whether you are talking about the farmer being a member of a cooperative or whether he holds or owns any stock in Armour & Co. or Wilson & Co., this would be practically the same thing. I imagine there are a lot of farmers who feed cattle and who now hold stock in one large packing company.

Mr. PURCELL. I also don't know of anybody in Iowa, but there are feeders, individual feeders, who are just feeding cattle and who own packinghouses. Now is this all right, as far as you are concerned?

Mr. SCHUMAN. Providing it comes under the figure of some million dollars, or whatever the exceptions should be. I think there should be some exceptions set up to protect the farmer cooperatives, or home-town entrepreneur, who may have a little slaughterhouse, or feed a few cattle. I think there should be some minimum exceptions for these few people.

Mr. PURCELL. All right. We are going to hear from somebody else now. I don't mean to harass you, really, although I kind of enjoyed it, too, really.

Mr. SCHUMAN. Thank you.

Mr. PURCELL. Are there any other questions? Thank you, sir.

We will call Mr. Kenneth Thatcher, secretary of the Iowa Farm Bureau Federation.

You may proceed, Mr. Thatcher.

STATEMENT OF KENNETH THATCHER, SECRETARY, IOWA FARM BUREAU FEDERATION

Mr. THATCHER. Mr. Chairman and members of the committee, my name is Kenneth Thatcher. I live on and operate a 225-acre beef farm near Cumming, Iowa. However, I am appearing here today as secretary of the Iowa Farm Bureau Federation. And my statement will be

in behalf of that organization. The Iowa Farm Bureau has 113,600 families as members. For thousands of these, feeding and marketing of livestock is their primary source of income and most of them obtain some income from livestock.

We believe there is little necessity for meatpackers and the retailers to feed cattle and hogs to supply their needs. The farmers and ranchers of this Nation have the know-how and can obtain the finances to produce, feed, and market all of the livestock of the desired weights and grades needed by packers and retailers, providing the marketplace is permitted to guide production. The consumer likes good meat and can afford to buy it.

During the last 10 years the consumers in the United States have had available to them the best quality of meat, poultry, eggs, dairy, and other livestock products, and the largest per capita supply that any nation has ever had. These foods have not only been of excellent quality and plentiful, but they have also been offered to the consumer at bargain prices by any comparison with other prices.

We believe the quality of livestock products offered by producers has resulted in a favorable image for these products and good producer-consumer relations. We anticipate an increased demand in the future—a demand that the farmers and ranchers of America are well prepared to meet.

While we would prefer that packers and chainstores not feed livestock, we believe it is neither necessary nor desirable to enact legislation at this time to permit meatpackers and retailers from so doing or from entering into any other business they may choose.

It's a part of our private enterprise philosophy that any individual, or group of individuals, should be permitted to enter into any business they wish, providing there is no antitrust effect or conspiracy to prevent others from doing the same, or to prevent the market from functioning freely and equitably.

The only reason that we can see for prohibition on livestock feeding would be the possibility that packers might be able to maneuver the market to their advantage. We believe strongly in the market system and believe it should be kept above suspicion, but we doubt that the present volume of livestock feeding is sufficient to be of major concern at the moment. Furthermore, the Federal Commission and the Justice Department have authority under present laws to deal with monopoly and restrictive practices.

We are opposed to legislation because we think it is not justified under present circumstances. It is best to first attempt to work out situations of this kind by other than legislative means. Voluntary agreements and actions can be fully as effective. Legislation is quite rigid, including H.R. 12115. It is subject to many interpretations. This bill might result in numerous court cases to determine what is involved in the practice of livestock feeding, what is involved in control, and other needed interpretations. In view of the undetermined effect of this legislation, and the interpretations that might be forthcoming by the court or administrators, the penalty seems quite severe.

One of the reasons this legislation would be undesirable is the effect on lamb slaughtering. We believe some lamb slaughterers would immediately go out of business, if they were forced to give up their lamb feeding. We are informed that they have not been able to

obtain enough lambs in their area to conduct efficient lamb slaughter operations. If this appraisal is correct, the effect on lamb producers in these communities could be severe.

Evidently the bill also prohibits all forms of contracts with producers. The question could be raised, Would it prohibit contracts with individuals or organizations who in turn have contracts with livestock feeders? In other words, would this bill ban contracts with farmers' own bargaining associations or cooperatives? If so, it might defeat its purpose. Bargaining associations of and for producers of farm commodities have been increasing rapidly. Farm Bureau is active in bargaining work in a majority of the States and in many different commodities. There are hopeful signs that intelligent bargaining may give farmers more influence in establishing prices for their products. Such efforts must not be jeopardized.

In addition, some packing firms operating in Iowa have proposed contracts direct with farmers providing a guaranteed price for livestock when marketed. These packers intend to protect themselves by hedging through futures. They believe such contracts may help them obtain a more uniform supply of livestock to be slaughtered. Their contention is that they can consequently reduce their costs and these savings can, in turn, be passed on to the consumers, the producers or stockholders. Farmers have often wished for a more stable price level, and contracts would provide some stability. On the other hand, the question of market control and weakened competition is raised. We do not know whether these contracts are good for the livestock industry or not. We do not believe anyone will know for some time yet.

It would seem undesirable, however, to adopt legislation that would prohibit the establishment of voluntary business relationships between packers and farmers before learning whether or not contracts could be beneficial to the industry.

In summary, we have great confidence in the market system and in private enterprise, in the absence of excessive interference by Government. We do not think legislation of the type outlined in H.R. 12115 is necessary or advisable at this time. However, we do believe packers and retailers would be well advised to terminate their cattle and hog feeding operations immediately, and they should make plans and arrangements for terminating their lamb feeding operations, too, as soon as feasible.

We appreciate the opportunity to submit our views, and would be glad to answer any questions, if I can.

Mr. PURCELL. Mr. Redlin, do you have any questions?

Mr. REDLIN. Yes, Mr. Chairman. Now I notice on page 2, at the bottom, you say:

We believe strongly in the market system and believe it should be kept above suspicion, but we doubt that the present volume of livestock feeding is sufficient to be of major concern at the moment.

Does that indicate that you feel that if the volume did get greater that this would be of great concern?

Mr. THATCHER. Yes, if it got great enough. I am not sure where the figure would be, but if it got great enough, it just might. The supply of the livestock packer might be used to affect the market. If

it became that great, we think something would have to be done, because we believe the market is important.

Mr. REDLIN. Then on page 3 you say :

We are opposed to legislation because we think it is not justified under present circumstances.

That leads me to believe that you realize that there might be circumstances that may arise along the line in the future where legislation might be justified.

Mr. THATCHER. We certainly think that circumstances may arise, and that some action may be justified. I would not want to say at this moment whether it would be this kind of bill, or if it would be some other type of legislation, or possibly some voluntary arrangement, but if it became great enough, then I think possibly something would need to be done.

Mr. REDLIN. Thank you.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. Mr. Thatcher, I am very glad to have you here. I want to say that I recall that you introduced me at a Farm Bureau meeting a little over a year ago, in which you made it clear that I didn't have to answer any questions that I didn't want to. I want to extend that same privilege to you at this particular gathering.

Now I want to follow through on a question which Mr. Redlin raised in connection with your testimony. That is the percentage of feed cattle presently being fed by packers.

My understanding is that this figure runs nationally around 6 percent. Now the percentage of the fed cattle would be smaller than that—3 percent—in connection with all cattle slaughtered.

Now this I am inclined to agree may not be a very impressive figure nationally, but of course you and I well know what happened in the poultry industry. My recollection is this went from 5 percent vertical integration to 95 percent in about 10 years. And you have to decide that question first, whether you are really against it. I take it from your statement that you would really be against it.

Now isn't it much better to stop it before it really gets started, than trying to unravel it before it goes into effect and is in operation?

Mr. THATCHER. Well, I am not certain, Congressman, whether we would be opposed to vertical integration. I think whether we are opposed to it or not depends on whether or not it does keep the market from functioning, and as we see it the function of the market ought to be to bring the producers and the buyers together, and to set the prices, as it has been discussed before.

Now what I said is that I am not sure that all farmers felt that way, but the ones I have heard discuss this, I think they would be concerned if this became great enough, because of the effect on the market. This would be the main reason. I still think most farmers like to see people have the opportunity to enter any business they wish.

Now your figure of 6 percent, I am not sure of that. It is my understanding this figure applied to feed cattle that had been fed at least a short time by the packers. But regardless, it is somewhere in the area of 3 percent up to that figure of 6 percent.

I don't know where it ought to be. We feel this is not sufficient enough for legislation at this time.

Now as to the broiler situation, if I may answer that: There may be some answer to that too. At the moment we—the American Farm Bureau is working with signing up broilers who have contracts with the people who are in the business, and it may be that this is a good answer to that situation.

And that is one of my points: I think other answers may develop on this, which would be more desirable than legislation. Now I am not sure of that, but I think there may be answers developing, if this should become a problem.

Mr. BANDSTRA. I am interested in your comment on the contracts in the broiler field. What role does the farmer play in the vertically integrated poultry industry? Isn't it true that he is basically a supplier of feed and labor? In other words, he becomes a hired man of the feed company that owns the chickens and that has control of the chickens? In fact he loses his status, doesn't he, as a free enterpriser, as we know him out here in the country, operating his own business with his own capital, taking his own risk, the kind of system we both approve of?

Mr. THATCHER. Yes. Some of those contracts go that far, although I am not an expert on the broiler business; I would say that most of that, as you know, most of that is in the South. Now my understanding has been that there are all kinds of contracts in the production of broilers. In some cases the company or the producer does furnish almost everything, the feed, the financing, the chicks or birds in the beginning, and really the farmer works on so much per bird. It is this kind of a thing which leaves some incentive there, but, as you have indicated, not too much.

Mr. BANDSTRA. Yes; or not as much as we would like to see.

Mr. THATCHER. Yes, not as much as we would like to see. Now on the other hand there are other kinds of contracts, even in the State of Iowa. There is the turkey business. Now someone, the hatchery man, or the feed man, they furnish one commodity and the farmer takes all the risk, with maybe just an assist in financing.

There are all kinds of voluntary arrangements at the moment, and we would not like to see these go as far as the situation you just described, but we feel that neither would we like, at least at this time, to see the various types of arrangements which would be prohibitive, including the kind I mentioned, and that which is now being considered with cattle and hogs. We are not saying they are good, but we think it is too early to prohibit this.

Mr. BANDSTRA. I just wanted to be clear on this. I think you have cleared it up for me. I am sure you don't want to see the feed grain farmer put into a position of these farmers down South who are at the end of one of these contracts where they merely become a hired man; is that correct? Do you agree with me on that?

Mr. THATCHER. We would prefer not to. If that was his choice we would want him to have that choice. We would want him to have the choice that he decided. That is for certain.

Mr. BANDSTRA. But you would—maybe you don't agree with me after all. You would rather see that happen than this type of legislation, or some legislation similar to this? And I have no pride of authorship in this particular bill or approach. There are many ways to skin a cat. There might be another approach to this problem, but

would you rather see this happen in the feed grain area than to see legislation along this line enacted into law?

Mr. THATCHER. No. I wouldn't say that, not if it were nothing as far as we described it in some cases, as with the broilers, where the man under contract was, for all practical purposes, an employee, even though he was under a contract. Now I certainly would not prefer that. I think the family farm enterprise is important.

The market system helps guarantee that, and we want to do all we can do to see that it does, I think, before having legislation.

I think in the first place that most of the contracts do some good in part. Most contracts that exist leave plenty of opportunity and plenty of risk for the individual. Our primary concern at the moment is, Do we or do we not want the packer or retailer or anyone else to have sufficient control of the livestock so that they could depress the market at certain times to the detriment of the farmer? Now this market must be permitted to function. We do not think that we are close to that at the moment.

Mr. BANDSTRA. Now I am referring to an article that appeared in the newspaper. Now at the right time I will ask to have this entered in the record. Mr. Schuman referred to a publication of Ronald Harley, of the Des Moines Register. And according to the article that appeared in the Sunday Morning Des Moines Register on the 7th day of November 1965 in the farm section of that newspaper, I read this: "Iowa Beef Packers, Inc., Denison, plans to feed 50,000 to 100,000 head of cattle in a feedlot near Irvington." Irvington, according to the map, is somewhere in northwest Iowa, I think in Congressman Greigg's district.

I recognize that nationally in 1964 we slaughtered a little better than 30 million head of cattle in this country. Now this is not a very large percentage, nationally, that was slaughtered by the packers. I will agree with you on that, on the national total, but have you considered the effect this could have on the market in a particular area? Now what happens up here in Irvington, Iowa, will not affect the cattle market at Denever or possibly even Omaha, and even maybe not even at Ottumwa, but it is going to have some effect in that particular market area where you have a packer who feeds a hundred thousand cattle, or who would have a large number of cattle to pull away from the competitive central market system, which you said you believed in. And I do agree with you on the free competitive market system. Now what is going to happen in those particular instances as far as a free market is concerned?

Mr. THATCHER. In answer to this question, we feel that the Iowa Beef Packers would be well advised not to do this, as far as their own relations with producers. We feel that feeders would be concerned about the effect they might have, at least on their own market.

However, this area is within easy trucking distance of Sioux City, and this is a large market, and even if they go ahead—it is my understanding that they have not proceeded, as yet—even if they go ahead with this—and maybe they are now underway, I am not sure, under construction—but even if they go ahead, we feel the farmer will have access to the market at Sioux City, Omaha, and some located in the southern Minnesota area. And I think the adverse effect at the moment might be on this organization itself.

Mr. BANDSTRA. That raises one other question that I wanted to cover. You mentioned it in your statement that you would prefer to do it—and I am sure we all would—prefer to have the packers agree voluntarily to back out of this thing. I used to think the same thing when I was a county attorney and I was prosecuting hog thieves in Marion County. I wished they wouldn't do it and that they would agree voluntarily to cut that out. I never got a contract whereby they agreed they would no longer make midnight raids on some of the unsuspecting hog lots down there. And I am afraid we are somewhat in the same position with the packers.

Now I don't mean to draw any comparison at all, you understand, between these two groups, the hog thieves and the packers, but I am concerned, and am quite concerned. I refer to this consent decree. Actually the five large packers were being investigated by a Federal grand jury in New York prior to 1920. And the consent decree of 1920 was really a compromise, as we lawyers quite often do. To get out of work we compromise the case, and this is exactly what happened here. That was 1920.

They got a pretty good deal. No doubt they would have been investigated, from what I could read of the petition and the decree, for the violation of the Sherman antitrust law, and would have been subject to treble damages, as the electrical companies were here awhile back, when they were indicted. This was pretty well the same thing.

You are aware of the fact, aren't you, that the packers didn't even comply with the decree? They did not divest themselves of their interest in the public stockyards until about 1930. In other words, 10 years after entering into the decree they still had not complied with the terms of that decree, which were voluntarily entered into. And as late as 1960 they were still before a Federal district court saying, "We didn't mean it back there then and we don't want to do it now. We want to get back into this both forward and backward vertical integration." And this is what they are saying.

Now I am just wondering if you have any hopes, or any word from these packers that I haven't received, and I don't know of anyone else who has, in which they are sort of coming around to the position where they want to give this up as a bad job and quit?

Mr. THATCHER. No. I haven't even talked with them about it, any of them about it. However, I think the livestock feeders could pretty well enforce this at the moment, if they feel strongly enough, because I don't think the packers want to feed their full volume, or that they could move that fast, and if they did try to there would be fear of some legislation similar to the proposal here.

But I think the ones that are feeding, if the farmer feels this is undesirable and they wish it stopped, and they do not sell to these people, that they could have them moved pretty rapidly, without actually ever having any formal agreement. Now I am not suggesting that. I am just saying there are other forces other than a formal agreement.

I think the consent decree may be an example of why we think it inadvisable to get something tied down quite like that. The consent decree, at the time it was entered into, it might have been worthwhile, because the four packers were a dominant force, it is my understanding, in the market. This situation has disappeared a long time ago.

There are so many packers on the market now and they are not that kind of a predominant force. I think there is a real question whether they ought to be asked to continue under such decree unless they will put others under a similar situation. This can work both ways, this kind of discrimination.

MR. BANDSTRA. Oh, yes. But I think you defeat your own statement, if I can say so very respectfully, Mr. Thatcher, because actually it is true that the antitrust laws are a hopeless maze. I sort of sympathize with business in not knowing really when they are violating something in connection with mergers, even the banks.

There have been some recent cases regarding integration or control in other areas, other than the livestock industry, but it seems to me you make out a pretty good case here for this bill, H.R. 12115, because there certainly is not very much ambiguity about that, while there is about the Sherman-Clayton antitrust laws, because this would make it very simple, and I think it ought be really appreciated by the packers that they would certainly know what their gross annual sales are. If it is over a million dollars they may be prohibited.

Now the bill may not be right, but I don't think you can criticize it for a lack of definiteness. I don't know how you can make it more simple.

I want an adding tape of the sales you make each year, and if they come to more than a million dollars, then you don't feed cattle. Now I have a little difficulty finding room for confliction in that. I do agree, as far as the antitrust laws are concerned, that there is a lot of ambiguity, and I appreciate that is a very good case for a good simple approach, which was not the approach in the consent decree. And they are still going, as late as 1960, before a district court of the United States, trying to get this unraveled.

Incidentally, the Federal district court in the Chicago district does not agree with your position. They said all the reasons still apply, and at one time one of the lower courts did modify the decree, somewhat, but this again was reversed when it went to the Supreme Court, and they said there shouldn't be any kind of vertical integration, either forward or backward.

Well, anyhow, I just wanted to make that point that this bill is a good simple approach and that it is fair to the packer and that there are no problems, as far as interpretation. There is no maze of questions in this. I just can't see any serious problem with this bill. I just don't know where you have any problem as far as interpreting the bill is concerned.

MR. THATCHER. I didn't intend to infer the bill was ambiguous in that regard, but I was just referring to the consent decree.

MR. BANDSTRA. I see. Thank you, very much.

MR. PURCELL. Mr. Olson.

MR. OLSON. Mr. Thatcher, you have discussed the efforts of the Farm Bureau to represent the farmers who have entered into contracts, specifically in the broiler field; is that not right?

MR. THATCHER. Yes.

MR. OLSON. You are very active in this aspect, and somewhat in turkeys; is this also true?

MR. THATCHER. No.

MR. OLSON. Just broilers?

Mr. THATCHER. Broilers, apples, tomatoes—not in Iowa. I am referring to the American farmer.

Mr. OLSON. The Farm Bureau justifiably and properly takes this position because these farmers need representation, in spite of the fact they perhaps were entering an agreement whereby they thought they were getting the best deal possible; is that right to assume that?

Mr. THATCHER. Yes, I think so.

Mr. OLSON. Then on page 4 you say, "There are hopeful signs that intelligent bargaining may give farmers more influence in establishing prices for their products." Then you go on in fact to advise against passage of this legislation because, "* * * some packing firms operating in Iowa have proposed contracts direct with farmers providing a guaranteed price for livestock when marketed." I assume it would be your hopes that you would represent those farmers to get the best deal, because, of course, they thought, as the broilers before them thought, that they were entering into an intelligent contract?

Mr. THATCHER. Yes, certainly, if it became evident that the people entering into these contracts felt they needed someone, needed help from an organization. And these bargaining associations we have referred to are not—they are subsidiaries of the Farm Bureau, or a separate corporation.

If the farmers in Iowa were to enter into these contracts and later decide the need to be organized to determine what the contracts would include, and to have some influence in it, yes, sir, the answer would be, yes, it would help to do that.

Mr. OLSON. I of course appreciate your position there. I do agree that we do need organizations to represent our best interests at times, because we so often find we can't individually do that and that it is a matter of opinion as to where we might best effect the greatest protection for the individuals concerned. And I see it from one position and you of course see it from another.

There has been discussion here this morning—to move on—concerning the degree to which integration has entered the livestock business. And I would rather do more than just make a statement that you may certainly comment on, if you care. But we all recognize and accept the fact that excess of supply to demand effects prices, and the figures range from a very severe impact to an impact which certainly must be considered unwholesome to the producer. I am just wondering if we should not apply some of this multiplication to this area, understanding that a 1 percent—and I avoid that word surplus. (I don't like it when people are hungry in the world, and we are not quite sure it is surplus.) I think that just recognizing that excess supply does have an impact and that control of the supply may also have an impact.

In other words, if you control the supply, can you not indeed determine what day you put it on the market, and whether or not you would have a surplus at that particular time?

Mr. THATCHER. Well, if that is a question directed to me, Yes, if you control supply you determine when you would put it on the market. You would also determine—you would have complete control of the supply and then you would determine the price in a reasonable limit. However, there are many drawbacks to this kind of procedure. When you start deciding who has the right to produce and how much and how many things, then we do not feel that fits in with our own system of private enterprise or what is best in the long run.

Mr. OLSON. We will leave it at that and go onto another subject, but we do agree on this one point, that if you can control any part of supply you can effect the market by effecting the amount that goes to market at any particular time?

Mr. THATCHER. Yes, I believe that would be true.

Mr. OLSON. Well to move on to one last final question, or one last final point, you discussed the savings aspect, and the effect of the end price to consumer on the bottom of page 4. And I wonder if you have any advice to us, concerning the fact that a very few short months ago, we were concerned about the markup attached to a product as it goes along. We wanted to determine why the prices on the retail level, did not reflect the sharp reduction in prices on the farm.

Now have we completely disregarded this area? Do you think that it is as valid today to investigate this, when we are concerned whether consumers are going to be priced out of some of our markets? Don't you think we ought to be taking at least as sharp a look today as we did a few months ago to the markups going on?

Mr. THATCHER. I don't see any objection to looking at it. The information and the facts that can be obtained can be valuable to everybody. I believe quite strongly, and our organization does, in the competitive system, and I see no evidence of a lack of competition in these fields. In fact it appears to me to be real strong.

I would be for the Justice Department, and others who have responsibility in government, investigating to be certain in their own minds that there is no conspiracy of any action going on between retailers, owners of supermarkets, packers, or anyone else, including the farmers. I can't imagine that, but if they were guilty I would want them included. I think it is important that they make certain as they can. As Mr. Bandstra said, this is not always easy, but these are the laws we operate under. I think they ought to be as certain as they can that there is no conspiracy.

But if we do feel—if the Government feels they have investigated and there is no antitrust violation, then I feel there is enough people in the business to make us secure that we are not going to have excess margin very long. I know of some small supermarket operators, right here in Des Moines, who would like nothing better than to get to be as big as some of the big ones.

Mr. OLSON. You have emphasized several times in your testimony the fact that the law should, without question, be made applicable and enforced as regards everyone. I want to remind you of the context in which we are reviewing this; we are trying to determine whether or not there should be any additional law. We are not discussing whether or not it should be enforced. We are trying to determine if there are statutes that will prevent a situation that is adverse in its effects to the particular people and the industry we are reviewing.

My faith—in getting back to this marketing process and setting a price—has been severely shaken within the last few months, I must confess. This is not a dairy area we are in. I do happen to represent one, and I have recently been subjected to the necessity of analyzing my views and those held by others in this field.

It wasn't so hard to argue that we shouldn't be interfering, and that the price had to meet the demand, when the cooler was so full of butter you couldn't get the door shut. Now today there is not a pound of butter in some places held by commodity corporations.

People are on my door knocking everyday and saying, "We need legislation to get the prices down."

I am concerned about some of the problems that have to be straightened out. We have supply and demand now, and we are in danger of having supplies reduced to the extent—and they are figures that are accepted by all—reduced to the extent prices will continue to rise.

So I feel this old hands-off business is proving unworkable.

Now if you have no comments, that is all. Thank you, Mr. Chairman.

Mr. PURCELL. Thank you, Mr. Olson. Mr. Greigg.

Mr. GREIGG. Mr. Thatcher, of your 113,600 families as Farm Bureau members in the State of Iowa, how many of those would be roughly classified as livestock feeders?

Mr. THATCHER. I have no way of knowing. I could only hazard a guess. Of course, that depends on your definition of a livestock feeder, too. To have some income from the sales of livestock, I would think it would be three-fourths, or better, but that is not much more than a guess.

Mr. GREIGG. All right, sir. There is an article that appeared in the December issue 1965, of the American Cattle Producers. In that article some Iowa Beef Packer officials have been quoted. This is what that paragraph states, "Iowa Beef Packers officials said that there is a big gap between what is known to be the most efficient type of operation, and what is actually practiced." Now do you feel there is a gap?

Mr. THATCHER. Yes. I think there is a gap, and they will find out after they feed that there is the gap that is still there.

Mr. GREIGG. They go on to say, "We want to close this gap by providing a steady volume of slaughter cattle. Such an operation can stabilize cattle prices." Can this stabilize cattle prices?

Mr. THATCHER. Well, no; not—I don't think—the volume they are talking about in itself would stabilize prices over a very wide area. I am not sure it could even stabilize it even in a very small area. You understand again that I am not an expert in this field and have not studied the figures. Now I suppose, if the packers were to develop feeding on their own, and plan this out carefully, and have so many cattle fat on each day of the year, as they need them, and so, that they could stabilize prices to a degree. However, there is another factor that determines the prices, and that is the demand. And they cannot stabilize demand, and they can only stabilize half of it at best. I don't think stabilizing the market may be desirable. I don't think it is the end point in itself. We could have a stabilized market with such an end figure that the livestock industry could not make a living. We are interested in a reasonable income return.

Mr. GREIGG. You do not feel they would provide stability, is my question.

Mr. THATCHER. No.

Mr. GREIGG. On page 4 you state:

Some packing firms operating in Iowa have proposed contracts direct with farmers providing a guaranteed price for livestock when marketed.

What are these packing firms?

Mr. THATCHER. As I understand it, Wilson & Co. in Cedar Rapids is one. I don't know whether there are any others or not. Their pro-

posal is to say to a farmer, if I understand it, to say to a farmer, "We will offer you \$22 a hundred" or "\$25 a hundred for hogs delivered in a certain week." They are not going to take a risk on this. They are going to go immediately to the futures market and hedge. So they would be protected. They have asked a small group of farmers, "Would this be advantageous to you for you to know even before the pigs are even farrowed what you are going to have as a price?" Now it is my information that the farmers were not certain whether it would be valuable or be an advantage to them or not. They were not certain whether or not it would be. On one hand I can see it being advantageous, and on the other hand, well, if these kind of contracts did make it possible to control the market by the processor, I do not think it would be good.

Mr. GREIGG. Would the official position of Farm Bureau be to support such a proposed contract?

Mr. THATCHER. Our position is to wait and see how they appear to be serving the industry.

Mr. GREIGG. Thank you, very much.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. Mr. Thatcher, you made a statement, and I want to see if I understood you correctly. I think you said you thought the farmer-feeder could handle this packer who was feeding livestock by just refusing to sell to him; is this correct?

Mr. THATCHER. Yes. If he feels strongly enough that it is a mistake, he could do that.

Mr. CALLAN. What you are suggesting then is rather than any legislative action what the farmer and feeder might want to do is boycott certain packers?

Mr. THATCHER. No, sir. I am not suggesting a boycott at the moment.

Mr. CALLAN. What is the difference?

Mr. THATCHER. If they felt it was necessary, an individual, or all individuals, might want to do this. I would say at the moment that we ought to talk to the packing industry and advise them that we are in the process of doing this. We feel their only interest would be served, if they were not in the business, because of this relation with customers, so to speak. They are important to them and we feel there is nobody that has more to gain than the packer in having the market above suspicion, and certainly their feeding does cause suspicion, at least in the minds of some people, as will be evidenced here today.

Yes, your interpretation might be correct, if it ever came to that. I think that would be more premature at the moment than the legislation which we are discussing here today.

Mr. CALLAN. I thought you did make the statement that you thought the farmer-feeder could handle this, if he refused to sell. To refuse to sell seems to me to be a boycott; is that not true?

Mr. THATCHER. Why, if it came to that stage and enough people felt that way, I think it could come to that. I would not advocate that.

Mr. CALLAN. Why do you think the packers are going in the feeding business? And the indication is they are big now and will get bigger in the future. Why do you think they went in the business of feeding?

Mr. THATCHER. Well, it does give them some operational advantage, an operational advantage for them by it; or it might not be in the interest of the producer. If it were only possible to operate the plants more efficiently, theoretically that might be to the advantage of the producer.

However, if it is to depress the market at certain times, then I can certainly see nothing but a disadvantage at this point.

Mr. CALLAN. Would you favor this legislation if the testimony we gather here, and all the facts and figures that are available, if this testimony would show the packer is actually losing money in the operation of his feed lot, and the primary reason that he is in the business is to have a certain amount of cattle on the market on a certain day, which could have a depressing effect on the market, now if the overwhelming testimony shows this is true, would you favor this type of legislation?

Mr. THATCHER. I don't know that the overwhelming testimony is going to prove it one way or the other. You are going to have to prove it.

Mr. CALLAN. Let's say that in the minds of this committee we find that the packers are losing money on their feed lot operation, and that we find out that certain days there are more cattle moved into the market than on other days, then would you favor this legislation?

Mr. THATCHER. I think it might be the packers might lose a little money on this and still it might be advantageous to employ their viewpoint, which I have no desire to represent, but from their viewpoint it might be advantageous, because of the more uniform slaughter.

They might lose money in the total feeding operation, but they might make money by having it. I would have no concern about that, except as they may affect prices.

Mr. CALLAN. Is it true that if on Monday morning the supply is short and they move a given number of cattle from their feeding operations right into the market, is that going to depress the market that day?

Mr. THATCHER. In the long run the market is determined by the total supply and demand. It may effect one individual or one market, however the total supply and the demand effects the market at the moment, and not in any one area. Theoretically you will have a larger supply of cattle or hogs on one particular market and this market could be absorbed, and it might be detrimental to the individuals there; and theoretically again, there may be less at another market and that would not be detrimental to the farmers who happen to be there.

Mr. CALLAN. I know of a packer who has a contract and has a big lot. He knows pretty well what is going to be on the Omaha market on Monday morning. He can load cattle out of one lot at 8 o'clock on Monday morning and have those cattle on the market or ship cattle on Sunday night and they are there. Now if he hits a short supply that day and he moves 500 or a thousand head of cattle on that market, wouldn't that depress the market on that day?

Mr. THATCHER. I think there is a possibility that it might have some effect. That is the reason we are saying we think they ought to withdraw.

If we had absolute proof—absolute? There is nothing absolute. If we had proof that they were depressed, that they depressed the market, and if we could not convince them to withdraw voluntarily, and there

would be no detrimental effect from this legislation on the cooperatives or bargaining associations, with all of these things out of the way our organization would be willing to look again at this type of legislation. I am saying we are not to that point.

Mr. CALLAN. That is my point: If the committee makes a determination that we believe this is happening, that in our minds we believe this is true, and we could show the evidence to you, would you support the legislation?

Mr. THATCHER. Though we have great respect for the committee, we want to draw our own conclusions from the evidence.

Mr. CALLAN. Thank you.

Mr. PURCELL. Is that all you have?

Mr. CALLAN. Yes. Thank you.

Mr. PURCELL. Mr. Thatcher, we all have questions. You are very competent in answering the questions we have put to you. We would like to take more time, but I won't ask you any. However, I will observe that any time you have a man named Thatcher at a high level in the Farm Bureau Federation of Iowa, and a man named Schuman at a high level in the Iowa Farmers Union, that everything can't be too bad.

Mr. THATCHER. We believe in doing things a little differently here in Iowa.

Mr. PURCELL. Thank you, very much.

Mr. THATCHER. I have appreciated this opportunity.

Mr. PURCELL. Yes. Thank you.

Mr. Harvey Sickels. Do you have someone with you?

Mr. SICKELS. Yes. Mr. Jim Stewart is with me. He is a fellow member from the State of Iowa.

STATEMENT OF HARVEY SICKELS, SECRETARY, THE NATIONAL FARMERS ORGANIZATION

Mr. SICKELS. Mr. Chairman, members of the committee, I am Harvey Sickels, secretary of the National Farmers Organization. I have with me Jim Stewart, a fellow board member from the State of Iowa. He lives on a farm over at Columbus Junction. I live on a farm down south at Fontonelle. The size is not important, but it is 440 acres.

We wish to commend the committee for all of its fine work in the interest of agricultural legislation. We know that the livestock industry especially appreciates the opportunity to testify on the proposed legislation banning livestock feeding by packers and chainstores here in the great State of Iowa, where some of this feeding is being done.

The National Farmers Organization, with headquarters at Corning, Iowa, needs no further introduction to the members of this committee, having appeared before them many times in Washington, D.C. We support H.R. 12115 as introduced by our good friend Congressman Bert Bandstra on January 18, 1966.

We would like to give our reasons why we think that this committee and Congress, in their great wisdom, should pass this legislation immediately. Why do packers and chainstores feed livestock? We believe that the first most important reason they do this is to enable

them to use this amount of production over which they would have absolute control as to selling dates, to control and affect the market.

How could they do this? Let us use an example of how it could be and, we feel, has been used. Let us suppose that on a particular day there is a need for 10,000 head of fat cattle in an area to kill, and receipts from normal marketing by individual farmers are 8,000 head. This results in a shortage of 2,000 head in the supply and demand picture for the State. This should, with all factors being normal, bring about a strong, steady market with possibly 50 cents natural increase in price.

The chainstores and packers, however, could, and we feel sure have in the past and will in the future, bring in 2,500 head from their own feed yards, which in most cases are located within 1 hour's trucking distance from the plants. This changes the market from one of shortage to oversupply by 500 head. Farmers are then blamed for flooding the market and, as a consequence, the price has to be dropped 50 cents. On the surface this appears to be a small amount. But we will say, for the sake of the argument, that this has happened at one of the largest markets. This, then, would have a tendency to set the price in all of the market areas. How much would the farmers lose? The average weight of steers is somewhere around 1,000 pounds, which if figured at a lower price of 50 cents per hundred-weight, amounts to \$5 per steer less.

There are 12 market areas, but for the purpose of illustration we will use only 10 areas for easier figuring. If, on this day, there is an average of 10,000 head in each of these 10 areas, it would mean that \$50,000 would be lost to the farmers in each market, or a total of \$500,000 would be taken out of the pockets of farmers each day that this is done.

This would be called grand larceny in any court of the land, if it were not being taken from farmers. But since it is being taken from farmers, it's just called good business practice.

This is bad enough, but there is still another practice that could be used by the chainstores and packers, which would be even better for them. Let's say that the supply of cattle from the individual farmers has been reduced through the natural seasonal decline. The price is gradually working up. This will cut into the profits of the chainstores and packers; thus reducing the amount of dividends payable to their stockholders. But, here again, they are good businessmen. What could they do? They can follow the "good business practice" and go to their own yards for their supply, and just stay out of the market for a few days, or whatever length of time it takes to reduce the price.

Packer and chainstore feeding of cattle could be used to control enough of the supply to kill any increasing demand for cattle at farm level and to regulate the price paid to the farmers.

This bill, H.R. 12115, will prevent this from happening. It will allow the farmers a free and open market, which they do not have at this time, and it will give them additional opportunities to improve their bargaining power.

We appreciate the opportunity to appear before the members of this committee, and we hope that our remarks have been of some value to you in your efforts to assist the livestock industry in solving this problem in the market system.

Mr. PURCELL. Are there any questions? Mr. Greigg?

Mr. GREIGG. None.

Mr. PURCELL. Mr. Callan?

Mr. CALLAN. No questions.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. Would you be adverse, Mr. Sickles, to adding poultry, poultry products, to this legislation?

Mr. SICKLES. No, I would not. I think it should be.

Mr. OLSON. Thank you.

Mr. PURCELL. Thank you. Mr. Redlin, do you have any questions?

Mr. REDLIN. No questions.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. I recognize that we are running behind, but I want to thank you for your statement, Mr. Sickles. I intended to ask the other two witnesses, but I have forgotten it up to now, so I will ask you this question: Are there any members of your organization that are in the packing business that you know of?

Mr. SICKLES. Not that I know of.

Mr. BANDSTRA. Thank you.

Mr. PURCELL. Thank you, very much, Mr. Sickles.

Mr. SICKLES. Thank you.

Mr. PURCELL. Mr. Orville Kalsem, president of the Iowa Beef Producers Association & Livestock Council, you may proceed.

STATEMENT OF ORVILLE N. KALSEM, PRESIDENT, IOWA BEEF PRODUCERS ASSOCIATION

Mr. KALSEM. Members of the House Agriculture Subcommittee on Livestock and Feed Grains, Mr. Chairman, ladies and gentlemen attending the hearing, I am Orville N. Kalsem, Huxley, Iowa, cattle feeder and producer, president of Iowa Beef Producers Association. The Iowa Beef Producers Association just recently concluded their 54th annual meeting on March 23, 1966, at Davenport, Iowa.

To initiate my remarks today, I am going to read a resolution unanimously passed at that meeting.

Whereas the practices of packer feeding of cattle has raised many questions in the minds of cattle feeders in Iowa and the Nation, and

Whereas we are positive this will breed many unforeseen problems, not only to the producers but to the consumers as well: Be it

Resolved, That the beef producers of Iowa take a unanimous stand against the packing industry's tendency to expand their facilities for the feeding of cattle, and also any officials of said industry and subsidiary of said industry and, we, the beef producers of Iowa, to do our utmost to encourage a congressional investigation or hearing somewhere in the State of Iowa.

As stated in our resolution, we are opposed to packer feeding and agree in principle on the bill, but question certain parts thereof. We feel it is premature to enact such legislation at this time.

This bill would prohibit the feeding of livestock by packers, in addition to prohibiting such firms from purchasing livestock for slaughter by means of feeding contracts with individual farmers. The feeding of livestock by contract has been going on for a number of years and merits further study.

We question the packer's position that the producers don't supply enough of the type, weight, and finish of cattle needed at all times to

keep their plants in operation. We feel this thinking is ridiculous with our huge supply of all types of cattle available here in Iowa and the Corn Belt. Why the increase of new packing plants here in the Corn Belt? This makes strong evidence to us that there is available supply of cattle for slaughter. It is our thinking that the packers use their own cattle as a lever to control prices. It is a known fact that it only takes a few cattle on a given day to hold prices down.

We of the Iowa Beef Producers Association are asking the packers and retailers to stay in their own field and return to the policy that the meat industry is a team: Producers, packer, retailer, consumer.

We as cattle feeders are proud of our position as producers, and do hope the rest of the team is proud of theirs.

In conclusion, we want to analyze the report of the National Commission on Feed Marketing, which is due about July 1, 1966. We also are aware of a study on packer feeding by the Packers and Stockyard Division of the U.S. Department of Agriculture. We feel we should look over these reports before making a final decision.

We appreciate the opportunity to present our position and feel this hearing will shed much light on this important subject.

Mr. PURCELL. Mr. Redlin?

Mr. REDLIN. No questions.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. No, sir.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. Yes, Mr. Chairman. Mr. Kalsem, I am a little confused, to put it mildly. You, by unanimous resolution, have taken a unanimous stand against the packing industry's tendency to expand. You have done your utmost to call us out here, and then a few words later on you tell me that you feel it is premature to enact any such legislation, after saying there are certain parts you don't agree with. Now would you tell us just what you do or you don't agree with? Frankly, we appreciate being here, and we want to make every use of the opportunity that we have. I can't help but question you in the ambiguity of a statement such as this.

Mr. KALSEM. The main thing that we do not agree with is the contract feeding. I don't think contract feeding should be put in this bill.

Mr. BANDSTRA. Well, are you prepared to make recommendations in behalf of the legislation if you strike out the effect it has to contract feeding?

Mr. KALSEM. No. We haven't made any further study on it, but in my opinion contract feeding is a help to the industry in Iowa. I do feel this way that a lot of young people get started.

Mr. PURCELL. But you say, in spite of that, that you are still against the legislation?

Mr. KALSEM. We are against further packer feeding.

Mr. OLSON. Do you feel the packers are going to, as it has been discussed previously, withdraw voluntarily from this area?

Mr. KALSEM. Well, that is a question I don't believe anyone can answer.

Mr. OLSON. Do you think that your testimony is going to help get another congressional committee out here next year, or 5 years from now, if this thing gets any worse? They will certainly read this book. I have one here on a hearing that we had a couple of years ago. It

went down the drain for the same reason. The argument was just as good. Everybody said, "Let's wait and see."

Mr. KALSEM. Unless we get a few more in, I think we will take a positive position and be ready, too.

Mr. OLSON. I must say it is certainly unusual to almost have a word-for-word repetition of what we found out in Washington, D.C., on Tuesday, May 14, 1963.

I am not sure on the basis of your testimony that we might come out here again. Thank you.

Thank you, Mr. Chairman. That is all.

Mr. PURCELL. Mr. Greigg.

Mr. GREIGG. Mr. Kalsem, one quick question. Can you cite some specific favorable feeding contract of recent years?

Mr. KALSEM. Well, I don't believe I could just put my finger on it, but you know sheep—sheep is kind of out of your jurisdiction, but there is a lot of contract sheep feeding. I don't think it hurts. We have contract cattle feeding in our area, and I think most of the contract feeding done is done for people having trouble getting financed, and it is guaranteed what they are going to get when they are through. There are not too many, but we do have some.

Mr. GREIGG. That is all, Mr. Chairman.

Mr. PURCELL. Mr. Callan?

Mr. CALLAN. Isn't contract feeding and vertical integration the same?

Mr. KALSEM. Yes, sir.

Mr. CALLAN. And you believe the reason the contract feeding or vertical integration comes into effect is because the farmers have not been able to get proper financing? Do you say this is the main problem?

Mr. KALSEM. I don't think contract feeding has come into full in Iowa, but it does help people at certain times.

Mr. CALLAN. Wouldn't you agree that if the contract feeding provision was not in this legislation it would be almost useless, because couldn't the packers, instead of operating their own feed lots, go out and contract with farmers, put these in his lot, and move them on the market at any time he wanted to anyhow?

Mr. KALSEM. Up to a certain extent, but I don't think the farmer could operate too much on the contract feed. Once a cattle feeder, always a cattle feeder, and most of them like to feed their own. But in certain cases, I think contract feeding is a help.

Mr. CALLAN. Is it a help to an individual producer and packer?

Mr. KALSEM. Yes; it is quite a help to the individual producer.

Mr. CALLAN. If the proper financing was available, would you rather see the individual feeder feed his own cattle or see it contracted?

Mr. KALSEM. I would rather you would feed your own cattle.

Mr. CALLAN. So if financing could be provided then that would be a better way than contract?

Mr. KALSEM. Right.

Mr. CALLAN. Thank you.

Mr. PURCELL. Now, Mr. Kalsem, if you had members of your organization in packers you would want to accept them, just like you want to accept contract feeding?

Mr. KALSEM. We don't have very many members of the packing industry in our association. They are mainly cattle feeders.

Mr. PURCELL. If you did, you would want to take the same view as you do toward the little old sheep feeder? In other words, the difference is whether it is them or us?

Mr. KALSEM. Yes.

Mr. PURCELL. All right. That is all. Thank you.

Mr. Ervin Burrack. Now for the record I believe the Iowa Livestock Feeders Association and the National Livestock Feeders Association are appearing together. Is that right?

Mr. BURRACK. Yes.

Mr. JONES. That is correct; yes, sir.

Mr. PURCELL. All right. You may proceed.

STATEMENT OF B. H. JONES, SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. JONES. May I first, Mr. Chairman, introduce the man on the stand with me. This is Mr. Erwin E. Dubbert, of Laurens, Iowa, the immediate past president of the association; Mr. Charles Phelps, from Hastings, Iowa, and he is the current vice president; Mr. Ervin Burrack, Arlington, Iowa, the current Iowa president and also a director on our board.

My name is B. H. Jones, I am associate secretary-treasurer of the National Livestock Feeders Association.

We have on our statement here a cover, which will tell the committee members a few facts about the association. And I know you are familiar with it, since we have appeared to you on numerous occasions before. So in order to conserve your time we will not read it.

On behalf of the members of this association, and affiliated State and local associations, we wish to commend the Honorable Bert Bandstra for his interest and concern for the livestock industry, as evidenced by the introduction of H.R. 12115.

The proposed legislation has served to focus attention on one of the livestock feeders' most serious problems—a situation which can be looked upon as being of far-reaching consequence to the competitive structure of the entire economy, since agriculture represents the outstanding form of individual economic enterprise left in this Nation.

This commendation is also extended, on behalf of the membership, to the Honorable John R. Schmidhauser of Iowa and to the Honorable Gale Schisler of Illinois, for their sponsorship of related bills.

The association also wishes to express its appreciation to the Subcommittee on Livestock and Feed Grains for coming out in the country to give the farmers and feeders, who cannot conveniently journey to Washington, D.C., an opportunity to express their views and to relate their personal experiences in connection with the important subject of the hearings.

Out of consideration for those whose only opportunity to appear is at the hearings scheduled here at Des Moines, and in deference to the subcommittee members, who face a full schedule of witnesses, the association will make its statement brief and will plan to present full and detailed testimony later at the Washington, D.C., hearings.

We view the primary purpose of the Des Moines hearings to be that of giving the subcommittee an opportunity to hear from livestock operators who are actually engaged in day-to-day production.

Statement of position. The position of the membership of this association with respect to packer feeding is set forth plainly in the resolution adopted at the annual business meeting, last February 17, 1966. This statement is set down in a very concise form.

Resolution Number 15. Packer and Processor Feeding of Livestock.

The National Livestock Feeders Association looks upon the practice of packer and processor feeding of livestock as being an extremely unhealthy and detrimental activity to the preservation of maximum competition for fed livestock and for the opportunity of private individuals and concerns engaged in the livestock feeding business.

The Association further believes that such practice of packers and processors can and does offer advantage to packers in the purchase of fed livestock to a degree which does have a depressing effect on the live price level.

Since we disagree with the contention that packer feeding is being used solely to hedge supply and/or provide cattle of certain quality and weight to meet rigid specifications; and

Since this supply hedge immediately becomes a price hedge, thus providing the undue advantage, an advantage that cannot be realized by the livestock feeders themselves: Be it

Resolved, that the National Livestock Feeders Association again registers its strong objection and opposition to the continuation of the practice of packers and processors, and further declares it will use all its influence and resources to the utmost degree in an effort to cause the practice by packers to be discontinued.

At this time, Mr. Chairman, we would like to request permission to insert in the record two statements covering packer feeding, both of which were made by Erwin E. Dubbert, Laurens, Iowa, immediate past president of the association. One of these was presented before the National Commission on Food Marketing at the Omaha, Nebr., hearing last June 3, 1965; and the other at the industry forum devoted to a discussion of packer feeding, held in conjunction with the 1966 Annual Convention of the National Livestock Feeders Association.

Mr. PURCELL. Without objection that will be allowed.

STATEMENT OF ERWIN E. DUBBERT, LAURENS, IOWA, IMMEDIATE PAST PRESIDENT OF THE NATIONAL LIVESTOCK FEEDERS ASSOCIATION, AND A LIVESTOCK FEEDER OF CATTLE, HOGS AND LAMBS, GIVEN TO THE NATIONAL COMMISSION ON FOOD MARKETING AT A PUBLIC HEARING IN OMAHA, NEBR., ON JUNE 3, 1965

My name is Erwin E. Dubbert of Laurens, Iowa. My son and I operate a farm and livestock feeding operation near Laurens. We farm around 700 acres of land, feed from 500 to 550 head of cattle annually, with purchases and sales throughout the year, making this enterprise a year-round operation; farrow about 200 litters of pigs per year under a multiple farrowing system; and also feed 800 to 1,000 lambs annually. I have been engaged in livestock production all my life and in business for myself for the past forty years.

To avoid burdening the Commission with repetitious statements, I should like to address myself to one specific area, namely, packer feeding of livestock.

Various explanations and reasons why packers feed livestock have been advanced. But, regardless of the reasons given, the fact still remains that such an operation on the part of a packer who is also purchasing livestock, directly or indirectly from feeders, is in reality a price hedge. It is often described as a supply hedge on the part of those engaged in the practice; however, the nature of this business is such that a supply hedge simultaneously becomes a price hedge, resulting in the dulling, at least to a degree, of that buyer's aggressiveness in the market place. Any time a packer who is buying livestock for slaughter has a captive supply "under his belt", he is not forced to be as aggressive as he would otherwise be, other things remaining equal.

It has been suggested to the Packers and Stockyards Division of the U.S. Department of Agriculture that feeding by processors does in fact violate Section

202(e) of Title II of the Packers and Stockyards Act. This section states that it shall be unlawful for any packer to "engage in any course of business or do any act for the purpose or with the effect of manipulating or controlling prices in commerce * * *".

I am concerned that greater involvement of packers in the cattle feeding operation may bring on what has happened in lamb feeding. At one time, farmer feeding of lambs was an important enterprise in the Corn Belt. Numerous feeders just simply quit the business, giving as their reason—which I believe was justified—that the packers had "wrecked the market".

Iowa is one of the two largest lamb feeding states in the country. Based on the Iowa Farm Census Report of the number of fed sheep and lambs marketed in the State, and the report of the Packers and Stockyards Division, USDA, on numbers fed by packers, the packers currently feed 20–25% of the sheep and lambs fed in the State.

The slaughtering of lambs has always been in fewer hands than has been true of either hogs or cattle, as far back as I can remember. When major slaughters of this specie became engaged in feeding activities in a substantial volume, it was my observation that they cease to be aggressive competitors for lambs, the result of which was apparent in the market and on lamb prices. I am convinced this has been one of the contributing factors to the relapse of the sheep industry in this country.

According to the statistics compiled by the Packers and Stockyards Division for the year 1963, Packers fed 8.6% of the fed cattle and calves marketed from the 13 most important feeding states and 7.3% from the 28 states now included in the tabulation. Data is available for the 13 states on fed marketings back to at least 1959. The percentage during the year was 5.6% compared to 8.6% in 1963.

What may be an even more important consideration, however, is the much higher proportion fed by packers in certain areas. Surely, such a significant level must have an impact on market conditions and prices in these areas. The attention of the Commission is called, specifically, to Idaho where packers fed 31.7% of the total fed marketings of cattle and calves in 1963; to Washington, where the figure was 29.4%; New Mexico with 22.3%; Texas with 20.9% (187,200 out of a total of 896,000); California with 14.4% (273,400 out of a total of 1,899,000); and to Arizona with 12.5%. The proportion is larger in certain other states than in some of the states named, but the numbers involved are not as large. Of the total number of cattle fed by packers in 1963, 23.3% were fed in California and 15.9% were fed in Texas.

I realize that it is next to impossible to measure the effect of packer feeding on prices, but I am convinced it is not in the best interest of the industry and does have the effect, at least to a degree, of manipulating or controlling prices.

The position of the feeder in this industry is very vulnerable, much more so, it seems to me, than the position of the rancher. This has been particularly true during recent years, the proof of which can be found in the relative price patterns and price levels of feeder cattle versus slaughter cattle. Feeding facilities have increased more rapidly than the increase on feeder cattle production. This development has kept the feeder under continued pressure because of the added competition for feed lot replacements, and when prices have taken a down turn in the slaughter market, the feeder has been forced to "take it on the chin".

OPENING COMMENTS OF PACKER FEEDING OF LIVESTOCK OF ERWIN E. DUBBERT, IMMEDIATE PAST PRESIDENT OF THE NATIONAL LIVESTOCK ASSOCIATION, AND A LIVESTOCK FEEDER OF CATTLE, HOGS, LAMBS, GIVEN AT THE INDUSTRY FORUM, FEBRUARY 15, 1966, AT THE ANNUAL CONVENTION OF THE NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Packer feeding of cattle and lambs, of course, is not a recently initiated activity. Packers have fed or controlled large numbers of lambs for several years, particularly in the States of Iowa, South Dakota, and Nebraska; Packer feeding of cattle has increased substantially during recent years, and indications are clear that intentions are to expand this activity on the part of the packing industry.

Numbers being fed

The published numbers fed by packers and their relationship to total numbers do not tell the full story, because they do not include all of the animals under the "control" of the packer in some form or other. Numbers fed by owners,

officers or employees of meat packers or by non-reporting subsidiaries or affiliates are not included, and neither are those animals which are actually fed under a packer's control but not fed in the name of a packer. These sources could be highly significant in the over-all picture.

Cattle and calf numbers

Referring to the packer representative's statement using total commercial slaughter, it is true (according to P&S figures) that 3.4% of commercial slaughter in 1964 was fed by packers; but this is meaningless.

Packers have fed around 6.5% of the fed marketings from 39 states beginning in 1960, except for 7.4% in 1963. In absolute numbers, the figures for 1964 (1,126,800) is more than double the figure for ten years ago (1955—545,800).

By way of comparison: In 1964, Iowa, the largest feeding state in the nation, marketed 2,969,000 head of fed cattle. This means that the total number of cattle and calves fed by packers was equivalent to over one-third (38%) of the fed marketings in Iowa.

California, Texas and Washington accounted for 43.3% of all the cattle and calves fed by packers (1964).

The three states in which packers feed the greatest proportions of the total numbers fed were Washington (38%), Florida (25%) and Idaho (22%).

Lamb numbers

It is rather hard to arrive at an estimate of the proportion of fed lambs which are being fed by or for packers because of the lack of adequate statistics. Again, the percentage of total sheep and lamb slaughter is not very meaningful.

Some years ago farmer-feeding of lambs throughout the Corn Belt area was a very important enterprise. Many of these feeders simply quit the business, giving as their reason that the packers had wrecked the market with their increased activity in their feeding operations.

Iowa is one of the two largest lamb feeding states in the country and also one in which packers feed a large proportion of the lambs.

Based on the best figures obtainable, it is estimated that Packers currently feed 20 to 25% of the sheep and lambs fed in the state. Again, based on the best figures available, it is estimated that over-all packers feed at least 12 to 15% of the total fed lambs marketed.

Various reasons have been given to justify packer feeding

These include (1) Numbers being fed are small and of no real consequence in the over-all picture; (2) The "old supply song" about packers needing to feed to have numbers and kinds available when they need them; and (3) Feeders have failed miserably in producing for the market (not responsive to the demands of consumers, etc.).

Numbers fed said to be small (Referring to packer representative's statement)

The fallacy of using total commercial slaughter figures as a basis has already been pointed out. The thing which needs to be emphasized, in the number fed, is the very large proportion being fed in given areas. Volume of this magnitude cannot help but have an effect upon prices and the packers' performance in the market place. The point should also be made that the packers control, in some form or other, greater numbers than numbers indicate. (See previous comments)

Feed for supplies needed

This argument breaks down into three areas: (1) Livestock Deficient areas—packers must feed in order to assure themselves of a continuous supply; (2) Irregularities in market receipts or numbers being offered; and (3) Need cattle for Monday morning kill.

(1) Deficient Livestock is a weak argument: If it is profitable for the packer to feed in that area, it would be profitable for someone else to do it, also. The packer can always import the livestock needed from exporting feeding areas (we're glad to send fed livestock from the Midwest to any destination!). It is also sometimes argued that the specific kind or class needed is not fed in the area, or not in the volume needed. Again, if the packer is willing to pay the price, someone else will furnish his needs—therefore, it still comes back to a question of price and hedging price.

(2) The packers have used the continuous supply argument for years. If there ever was any validity to it, there certainly is not now. In 1964, according to the P&S figures, packers purchased 63.5% of their cattle, 81.2% of their calves, 76.2% of their hogs, and 71.4% of their sheep and lambs away from

terminal markets where the problem of irregular daily receipts exists; also, they bought 44.6% of their cattle, 31.7% of their calves, 63.1% of their hogs and 57.7% of their sheep and lambs other than at public markets of any kind. Any packer can buy the number of livestock needed any day of the week (subject, of course, to the limits of the over-all supply). Livestock will be offered and sold to him any time he is willing to pay the necessary price.

(3) The Monday morning kill argument as with (2), is as outdated as the Model T Ford. Packers' current buying practices and the source of their purchases just do not verify such an argument. The packer can buy livestock during late week, including Saturday (and perhaps even Sunday), and can move these Sunday night or early Monday morning, or at whatever time coincides with arrival in time for the Monday morning kill.

None of the supply arguments really hold water. If they did, how could the packer solve the problem with "only" 6.5% of the fed cattle and calves, and less than $\frac{1}{20}$ of 1% of the total hogs?

Feeders not responsive to the demands of the market

This kind of an argument sounds real good on the surface, and particularly from a technical and academic standpoint (on paper). It can be argued with some validity that feeders (and perhaps farmers in general) have sometimes not been as responsible as they should be to the demands of the market—have produced what they wanted to and expected the market to take it, and have been slow in adjusting to the changes that seemed obvious at the consumer level. However, the facts of the case do not bear out that packers have gone into the feeding business for this reason. Anyone who has seen the livestock being fed by packers knows that their feeding practices do not back up this kind of argument. The animals, for example, which are custom fed are, for the most part, fed side by side with those owned by feeders and others—are not better animals to start with, nor are they fed any differently from those owned by feeders.

If this argument did have any basis, would it then be assumed that "only" 6.5% is sufficient to change the tie to fill the needs of specification buyers?

Packer feeding and integration

Many writers and others have discussed packer feeding and its effect and implications within the broad framework of intergration. Packer feeding is, of course, a form of integration, and perhaps it is a matter of degree; but at least at this stage, it's one thing to talk about the advantages and evils of integration, per se, and quite another thing to view packer feeding with respect to the pressure it can exert on the feeder and the influence it can have on prices.

From the standpoint of the packer, I am sure he is interested in seeing the subject discussed under the broad heading of integration. This is understandable because viewing the practice on the basis of its potential effect on prices and its use as a pressure tool—packers doing this to gain a price advantage easily implies that they are doing something unfair, basically wrong, unethical, or at least wielding a big stick on the little guy. Whereas, on the other hand, integration in its broad form would be viewed more or less as occurring from economic pressures, rather than casting a dim light on the individual firm or the packing segment.

Emphasis should be given to whether or not it puts the packer in a position of undue advantage and enables him to sidestep competition and bring undue pressure to bear on the feeders from whom he purchases livestock. In other words, it should be viewed in the same framework as his ownership of markets and the like at the time the Consent Decree was issued back in 1921. The important thing today—right this minute—is not whether or not the feeding business is going to become integrated with the processing segment, whether integration is good or bad, whether it should or should not come about or be encouraged, but rather, whether the entering of the feeding business by packers allows them too much control and is bad for the feeder, and perhaps the industry in general.

Note: P&S stands for Packers and Stockyards Division, U.S. Department of Agriculture.

Retail food chains who carry on slaughtering activities are classed as packers under the P&S definition and are included in the figures used in this statement.

The total numbers being fed by retail food chains are rather insignificant in the total over-all picture.

Mr. JONES. The numbers of livestock being fed by packers, rebuttal to the common arguments used by packers for engaging in feed-

ing, and the pressures exerted on the feeder are covered in the Dubbert statements. Therefore, we shall not dwell on these aspects of the subject in this statement.

As indicated in Mr. Dubbert's statement to the food commission, the association has conferred with the packers & stockyards division with reference to taking action under authority provided in section 202(e) of title II of the act, which prohibit packers from "engaging in any course of business or doing any act for the purpose or with the effect of manipulating or controlling prices in commerce."

This course of action has been discussed with P. & S. officials on various occasions following a resolution adopted by the membership back in 1962. However, there has been a reluctance to proceed under this section, in the case of packer feeding, because it has been felt the language may not be sufficiently specific.

Consequently, in the interest of protecting livestock feeders from undue pressures and possible eventual engulfment, serious consideration should be given to enacting legislation which will clarify authority for the division to act in these cases. With this in mind, the association has prepared an amendment to insert the words "unduly influencing" in the aforementioned section, to assure authority to move against a packer whose feeding operations exert an undue influence on livestock prices.

We would like to make a recommendation, also, with respect to H.R. 12115 and related bills; namely, that of changing the unit of determination upon which prohibition is based from dollars of gross sales to that of slaughter volume. Fluctuations in product evaluation would create an area of indecision which could result in an enforcement problem and work a hardship on firms at or near the cutoff point.

In addition, we'd like to think out loud with you for another possible alternative which, perhaps, should be given some consideration. May I repeat that since it is really the influence on prices and the degree of market control that concerns us, rather than possibly the actual prohibition from entering the feeding business, would it make sense to apply the limitations to the number of his own livestock that a packer can use or slaughter? If a packer, or packing officials, had to place the livestock they feed on the open market, it would be a different situation from being able to use them as a leverage against needed purchases. We can readily visualize some enforcement problems, but we think the alternative may have some merit.

Now, Mr. Chairman, officials of affiliated State and local associations in Iowa and neighboring States have not requested time to appear, in consideration of others who may wish to testify.

However, several of them are here to evidence their serious concern over this problem, despite the fact that this is a very busy time. With your permission, Mr. Chairman, I would like to introduce some of them from the audience, for the record, and give them an opportunity to be recognized.

Mr. PURCELL. Without objection that will be allowed.

Mr. JONES. I have already introduced to you the people on the stand. The State association officers I will now introduce. Mr. Ervin Burack, of Arlington, Iowa, who is on the stand here, I have introduced to you. The other officers of Iowa are Mr. Waldo Mommsen, of Clinton, the first vice president; Mr. Richard Hyde, from Hastings, the

second vice president; Mr. Irving Anton, from La Porte City, the secretary-treasurer.

Donald Hunter, from Centerville, S. Dak., president of South Dakota.

Minnesota: Olaf Haaland, from Frost, Minn., who is president of Minnesota.

From Illinois we have Garrett Sikkema, from Morrison, Ill., who is President of Illinois.

From Missouri we have Oliver Marshall, from Marshall, Mo., who is president of Missouri, and we have the vice president of Missouri, Carl Halferty, of Plattsburg, Mo.

From our local association we have the following officials and members who are here. These are members and officials who are in our local associations.

From Union County, S. Dak., Arnold Klemme, from Elk Point, who is president.

From Minnesota, Fairbault County, Wayne Weber, from Frost, Minn., who is president.

Illinois: From the Illinois Midwest Association we have John Kilham, of Jacksonville, Ill. who is president; and we have John Reed, also of Jacksonville, Ill., who is a member, and who served on the State legislative committee.

From Whiteside County we have Charles Chamberlain, from Lyndon, Ill., and he is the director of that county.

From the Tri-county Association of Illinois, we have Herman Kington, from Roseville, Ill., who is a member of that association.

Now, from Iowa we have from Fayette County, Dale Halverson, of West Union, who is secretary-treasurer. We also have Max Medburg, from Elgin, who is the president; Max Jennings, from Arlington, a director; and Richard Ruber, from Westgate, who is a director.

From Scott County we have H. A. Kardel, who is the president, of Walcott; William Blanche from Davenport, secretary; and Orville Hein, from Stockton, who is the vice president of Scott County.

Now from Clinton County we have a member, Charles Williams, Jr., from Charlotte.

From Cedar County we have Gaylord Wilson, of West Liberty, a regional representative.

Clay County: The man you will hear from later, Ray Christenson, from Linn Grove, president; Robert Eninger, Sioux Rapids, secretary-treasurer; and, also, a State senator from up there, Merle Hagedorn, from Royal, who is also a member; and Everett Hagedorn, from Linn Grove, a member.

From Pocahontas County we have Paul Wennel, president, Albert City, Iowa; and Kenneth Christoffers, from Pocahontas, a director.

From Plymouth County we have Ed Willer, president, of Akron, Iowa.

Now I think I have covered them all and that then would conclude our statement, Mr. Chairman.

Mr. PURCELL. Thank you, Mr. Jones. Are there any questions of Mr. Jones?

Mr. REDLIN. No.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. I would like to say that there are some very good ideas that bear looking into. I am interested in your comments that

perhaps rather than have a dollar limitation we ought to think in terms of number or volume.

Would you have any suggestions in mind as to the number that you would insert there in the bill, Mr. Jones, in lieu of the \$1 million figure, which I have used?

Mr. JONES. Mr. Bandstra, we are now at the point of discussing that among our board, and if we may, we would like to present that to you after the decision has been made on this, rather than for me to give you an offhand answer to it at this time; if that is satisfactory to you.

Mr. BANDSTRA. I appreciate that, and I will be glad to have it.

Mr. JONES. We would be glad to communicate it to you.

Mr. BANDSTRA. I have no further questions.

Mr. PURCELL. Mr. Jones, we in the Congress were not quite as successful in getting as large a delegation here as you have. We have had two of our colleagues arrive.

Congressman John R. Schmidhauser of Iowa. John, would you stand up, please, sir?

(Mr. Schmidhauser rising.)

Mr. PURCELL. And then from Illinois, Congressman Gale Schisler. He is from the State of Illinois. Would you please stand?

(Mr. Schisler rising.)

Mr. PURCELL. We are glad to have you two with us. Thank you. Are there any further questions of Mr. Jones?

Mr. GREIGG. No.

Mr. CALLAN. No.

Mr. OLSON. No.

Mr. PURCELL. Thank you.

Now I have a conflict here, because I have two lists of names that have been given to me. On one list I have Mr. Forest Nave, Jr., of the National Egg Producers Organization.

STATEMENT OF FOREST NAVE, JR., THE NATIONAL EGG PRODUCERS ORGANIZATION

Mr. NAVE. Mr. Chairman, I am Forest Nave, Jr., of Lexington, Mo. I am a farmer, a general farmer, but I engage principally in egg production. I am also representing about 50 livestock men of west-central Missouri, who belong to various organizations. Some belong to no organizations at all. In other words, they are just a cross section of farmers.

We enthusiastically applaud Congressman Bandstra and endorse this bill. Also we thank and commend this committee for coming out here to get the grassroots opinion on this bill.

This bill would positively prevent vertical integration in the livestock industry, and it would guarantee a free, open, and competitive market for livestock. Vertical and contractual integration has already taken over the poultry industry. Dr. William Jasper, the nationally known and brilliant poultry economist of the American Farm Bureau Federation, has said, "The broiler industry is a mess." We who produce eggs can say the same of our industry.

I would like to give some statistics here as to what has happened to egg production in five Midwestern States. I will give the figures of 1955 and then the figures of 9 years later, 1961.

The State of Illinois, 1955, produced 3 billion eggs, and then in 9 years later they dropped to 1.8 billion; Iowa in 1955 produced 4.8 billion eggs, and they dropped to 3.8 billion, 9 years later; Minnesota, 3.3 billion and dropped to 2.8 billion; Missouri, 2.1 billion and dropped to 1.3 billion; and Nebraska, 1.8 billion and dropped to 1.4 billion.

Several years ago Nikita Khrushchev visited this part of Iowa. He didn't "give a hoot" to see our industries, our big cities, and he was even bored with the Hollywood can-can girls. What he wanted to see was the miracle of the American farm family. He and his "Kremlin crowd" couldn't understand why 13 percent of the Americans were producing more and better food than 50 percent of the Russians were producing on their supposedly well-planned collectivized farms.

The reason is very obvious; human behavior never changes. The Lord said, "The hireling has no care for the sheep," and the Russian farmer on his state-owned collectivized farm is nothing more than a hired hand whose decisions are made by bungling bureaucrats. The American farmer has a real interest in his livestock because they are his own property, and the amount of his income is determined by the wisdom of his decisions and the amount of effort he puts out.

In vertical integration a farmer is nothing more than a cheap hired hand on his own farm. He may actually be worse off than farmers on the Russian collectivized farms because he may have to work harder than they do, and he may wind up losing his investment, while the Russian farmers have no investment to lose.

Vertical integration has ruined the poultry industry. The thousands of abandoned chickenhouses throughout the Nation prove it.

Collective bargaining is impossible in vertical integration. I will cite one incident to prove it. Several egg producers in the Kansas City area were dissatisfied with the grades and prices a food chain was paying them, and they attempted to bargain for a better deal. The food chain bluntly told them they didn't need their eggs because they could recruit new egg producers to take their place. They did; they moved to Arkansas, where they promoted an entirely new group of egg producers, and these Missouri people have their life's savings tied up in abandoned chickenhouses.

Thousands of independent egg producers have been forced out of business. Many of us who produce 50 to 200 cases of eggs per week are having difficulty selling our eggs, because of the food chains who sell over 80 percent of the eggs, and prefer to buy their eggs from large integrators or produce the eggs themselves.

The pending discrimination charges by broiler growers in Arkansas is another example of evils of vertical integration.

I have been an egg producer for 40 years and could always sell my eggs until a year ago. Since then there have been times when I couldn't sell them anywhere at any price, except to breakers. I get a little envious when my neighbors pass my place with only one head of cattle or several hogs in their pickup trucks on their way to the Kansas City stockyards, where there is always an open, competitive market for their livestock, and where they stand just as tall with their part loads as the farmer with a carload.

In conclusion I want to say, as a veteran poultry man, that I have seen our industry degenerate into a cesspool of sharecropper exploitation because of vertical and contractual integration. We have been

reduced to this state of serfdom because we lost our market rights. If the livestock industry is going to preserve its market rights, it must separate producers from processors.

This bill will do it.

Now I know this legislative body is interested in what other legislative bodies of other free countries are doing about this integration problem.

In Canada and the United Kingdom they use a subsidy-type program to protect the independent egg producers.

Australia uses a licensing system. We may call it a franchise for each producer to keep a given number of laying hens.

Now on broilers, British Columbia has a quota system on broilers, and they are highly pleased with the results.

Several other Canadian Provinces use the same system on broilers. The latest was Saskatchewan, where 95 percent of the broiler growers voted in favor of broiler quotas.

New Zealand has fairly well eliminated the vertical integration by imposing minimum standards in contract formulas.

And right here I am a little bit discouraged, because the farming minimum wage law provides a considerably lower hourly figure than other people. I am afraid that we farmers are going to find we have a stigma, and that people are not going to be accepting farm jobs, when a grease monkey in town or most anybody doing any kind of a job, any flunky, will get more money than a farmworker.

I just thought I ought to throw that in.

Now there is one other point that I would like to make. There are two methods whereby food processors can contract for farm commodities

1. The futures markets. The flour mills, bakers, feed manufacturers, and soybean processors use this method. It is Government policed; trading is free and open; and prices are immediately known all over the country.

A flour mill can't buy wheat at his own price because exporters and speculators or another flour mill will outbid him if he doesn't pay up to market.

We now have a broad and excellent futures market in hogs and cattle, and a futures market in feeder cattle is planned by the Kansas City Board of Trade.

In the futures system there are no giveaway prices, because thousands of processors, storage interests, and speculators bid against each other for bargains, if and when they occur.

In vertical integration or private contracting we have a different situation. The bargaining is done privately. The integrators may paint a rosy picture to an inexperienced person on how much money he can make on a broiler or egg contract or a hog contract. If the contractor can make a highly lucrative contract for himself with an inexperienced person, he can then use this contract as a leverage in beating existing contractees down.

Too many times the hapless victim finds that he is either working too cheap, or even loses his money in the venture, and he ends up with abandoned chicken houses or hog houses.

If anyone wishes to contract in farm commodities, the futures market is the fairest and safest place to do it.

Thank you.

Mr. PURCELL. Do you have any questions? Mr. Redlin?

Mr. REDLIN. No questions.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. Mr. Nave, in your opinion, is there a relation between the cash market and the futures market in any commodity on the futures board?

Mr. NAVE. Yes, there definitely is.

Mr. OLSON. Which has the greatest influence? Is it the cash market on futures market, or vice versa?

Mr. NAVE. I would say the cash market does.

Mr. OLSON. Then, of course, we are getting back, are we not, to the root problem, "who has the greatest influence on the cash market"?

Mr. NAVE. Yes.

Mr. OLSON. So that the answer could not be found alone in the futures market in any commodity?

Mr. NAVE. No, no. I just made this point that the processor wants to contract the futures.

Mr. OLSON. Would you be opposed to adding poultry, even though we lost a sixth of the egg production in Minnesota? Would you be opposed to that?

Mr. NAVE. No. I would be the last to oppose that, but practical realities, in my opinion, would make it inadvisable, because if this were put in this bill, as much as I would love to see it in there, it would bring powerful opposition from some pretty powerful interests in Congress.

We tried desperately this past year to get an egg marketing order, and certain farmers organized the American Hatchery Association, and a powerful southeastern group beat us down; and I think if we would include poultry and eggs, like I say, as much as I would love it, we would have the same group on our backs again.

I would say the advisable thing to do is to leave poultry and eggs out, and then maybe we could get our foot in the door, and if the livestock people get protection, then we could come back and ask for the same thing.

Mr. OLSON. I might have some comments on that, but I would refrain from giving them or stating them at this time.

Thank you, very much.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. I only want to commend Mr. Nave on what I think is a very good statement. What you are saying to the people out in the Midwest, if I might comment, is, "If you think you can sit around and wait for the integration to take place and then try to do something about it afterwards, you are just kidding yourselves," is that right?

Mr. NAVE. That is right, Congressman. I saw this thing coming 10 years ago. I cried from the housetops. I cried out that it was going to happen, and this year I got to the place that I can't even sell my eggs a lot of times.

It brings up another thought, and that is that this broiler industry originated in this great State and then it went south. It went to south Missouri, to Arkansas, and farther south. It went wherever people could be hoodwinked into working for nothing.

I would like to repeat what some people in Arkansas have told me. They told me back in the old days, when our broiler industry was

operated by private individuals, independent people acting on their own, getting their financing from a local bank, they said, "We had very few troubles." They said, "Now and then, and this is true, we would have a bust in the broiler price, but those market breaks only lasted about 6 weeks, but now, since we have gone into vertical integration, the market stagnates and is low all the time."

Mr. BANDSTRA. Even though what you say is true, just for the record I want you to know that another outstanding agriculturist, by the name of Harold F. Breimyer, who wrote a book, "Individual Freedom and the Economic Organization of Agriculture," had this to say, after reviewing what happened in the broiler industry:

But another general lesson is derivable from the above, as integration once begun tends to be selfsustaining. Any public policy decision to arrest it should be made only in the process. When integration has already gone far, it is difficult even to influence it, let alone achieve a rollback to a status quo ante.

He says "Amen" to what you are saying in your down-to-earth statement.

Mr. NAVE. Thank you, Congressman Bandstra.

Mr. BANDSTRA. Thank you.

Mr. PURCELL. Are there any other questions?

Mr. BANDSTRA. No.

Mr. GREIGG. No.

Mr. CALLAN. No.

Mr. SCHMIDHAUSER. I have none.

Mr. SCHISLER. No.

Mr. PURCELL. Thank you, very much, sir.

We will adjourn at this time, 12 noon, until 1:30 this afternoon.

(Whereupon at 12 noon the hearing was adjourned to reconvene at 1:30 p.m. of the same day.)

AFTERNOON SESSION

Mr. PURCELL. The committee will please be in order. We will call Mr. Ivan Strasenski, who was inadvertently not called this morning.

I had two names in one square, and I neglected to call him. Now if Mr. Strasenski will please come forward at this time, we will hear from him.

STATEMENT OF IVAN STRASENSKI, FIRST DISTRICT OF IOWA NATIONAL FARMERS ORGANIZATION

Mr. STRASENSKI. Mr. Chairman and members of the committee, we wish to commend the committee for all of their fine work in the interest of agricultural legislation. We know that the livestock industry especially appreciates the opportunity to testify on the proposed legislation banning the livestock feeding by packers and chainstores here in the great State of Iowa where some of this feeding is being done.

The First District of Iowa NFO, whose parent organization, the National Farmers Organization headquartered at Corning, Iowa, has appeared before members of this committee many times in Washington, D.C., supports H.R. 12115, as introduced by our good friend Congressman Bert Bandstra on January 18, 1966.

We would like to present our reasons why we think this committee and Congress, in their great wisdom, should pass this legislation im-

mediately. It is the belief of the First District of Iowa NFO that such feeding practices exert an artificial downward pressure on livestock feeders' prices in the present marketing system, and interfere in obtaining an equitable income for farmers, the goal of the NFO.

To be more specific, let us examine the question at hand, that of packers and chainstores feeding part of their supplies of livestock. Why do both farmers and processing interest engage in such arrangements? We shall discuss the producers' position first.

Through years of raising costs and generally declining prices received for farm production, farmers have been caught in a cost-price squeeze, and in some cases they have sought ways to stabilize their income.

Some farmers, individually, are literally forced, economically, to quit or enter into a feeding arrangement with a packer or chainstore, or their representatives to feed livestock.

Here you have three basic things happen:

1. Freedom of choice is gone for the farmer because he cannot choose his market, his only market being the processor with whom he has the feeding arrangement.

2. The processor is in a position in which he has a portion of his supply already "captured" on his own terms, because of the lack of bargaining power of individual farmers, which means competition to a degree has been limited, or eliminated in some cases.

3. The individual farmer has, in the long range, not only limited his own opportunity for an equitable income, but has helped seal the economic fate of his neighbor producers as well.

If these feeding practices are left unregulated in the free market system, they could certainly be a heavy contributing factor in eliminating family-type farm or agriculture in these great United States, and build in its place a gigantic, monopolistic, processing-distributing food system, which we believe and hope this committee and this Congress do not desire for this Nation. Then this type of agriculture would no longer be the backbone of our economy, and the lowest percentage of disposable income, approximately 18 percent, would no longer be sufficient for the consumer to spend on food, as is true at the present time.

Second, we shall discuss why we believe the packers and chainstores engage in livestock feeding arrangements. We are now going to use, as our source of information for our example, the November 26, 1965, issue of *Packers of Stockyards Résumé*.

According to table 4, page 6, the packers and retail food chains fed 1,052,000 head of cattle in 1964. Let us take this figure and divide it by the approximate total marketing days in a year, 250. The result is that 4,208 head could be, on the average, brought into the market on days of short supply. Realizing this is a national figure, let us, for example, say that only half of this figure, 2,104 head, could be brought into one marketing area. This has a tendency to affect prices in other marketing areas, and exert an artificial pressure downward on prices on all of the cattle that day.

Let us assume that on a certain day there is a need for 9,000 head of fat cattle in an area to kill, and receipts from normal marketing by individual farmers are 7,500 head. This results in a shortage of 1,500 head in the supply and demand picture for this day. This should, with all factors being normal, bring about a strong normal market with possibly 50 cents natural increase in price. Then the packers and retail

food chains could bring in their own controlled supply, 2,104 head. This changes the market from one of shortage to one of an oversupply of 600 head. The farmers then are blamed for flooding the market, and, as a result, the price would possibly be dropped 50 cents per hundredweight.

Let us pursue this further, and say that the normal marketing pattern for cattle is for heavier receipts to be on Monday, Wednesday, and Friday. This, then, could mean that if no cattle would be taken out of the packer or the retail food chain feedlots on Tuesday, for example, there could be as many as 8,416, on the average, brought in and substantially artificially change the market from one a shortage to one of an oversupply.

I am sure that this committee and Congress are familiar with the inelasticity of demand for agricultural products; that is, that it only takes a small amount of oversupply to affect the price tremendously downward.

The First District of Iowa N.F.O. is of the opinion that this bill under consideration will prevent these artificial forces from influencing the law of supply and demand unfavorably for the American farmers and allow a free and competitive market to operate, which they do not have at this time, and will give them an opportunity to improve their bargaining power.

We appreciate the opportunity to appear before you, before this committee, and we hope that our remarks have been of some value in your diligent efforts to assist the livestock industry in solving this problem in the present marketing system.

Thank you.

Mr. PURCELL. Are there any questions on the part of anyone at the table of this witness?

Mr. GREIGG. None here.

Mr. PURCELL. Mr. Greigg.

Mr. GREIGG. No. I have none.

Mr. PURCELL. Mr. Schmidhauser?

Mr. SCHMIDHAUSER. Mr. Chairman, I do want to compliment Mr. Strasenski and the other members of his organization from our region for the diligence they have shown in preparing this testimony and their great interest in this legislative action, and in the future of the family farm.

Mr. PURCELL. Are there any questions from anyone?

Thank you very much, sir.

Mr. STRASENSKI. Thank you.

Mr. PURCELL. We will call Mr. Ray Rodeen, division president of the Sioux City Stock Yards, Sioux City, Iowa. Mr. Ray Rodeen.

STATEMENT OF RAY RODEEN, DIVISION PRESIDENT, SIOUX CITY STOCK YARDS, SIOUX CITY, IOWA

Mr. RODEEN. My name is Ray A. Rodeen. I am division president of the Sioux City Stock Yards, a division of United Stockyards Corp., which operates 10 so-called terminal markets in the United States.

The Sioux City Stockyards is the second largest market in the United States, handling about 4 million head of livestock annually.

I have been employed by the United Stockyards Corp. and its predecessor, the Sioux City Stock Yards Co. for 38 years. During that time

I have had the opportunity, and it has been my duty, to observe the operations at the Sioux City Stockyards, and to study and analyze the various facets of livestock marketing and the influence of various factors on livestock prices, as well as the movement of livestock, whether through terminal markets or otherwise. Our market is vitally interested in the welfare of the livestock economy and the independent livestock feeder.

I heartily endorse House bill 12115, commonly known as the Bandstra bill, and believe it in keeping with the spirit of the report of the Federal Trade Commission on the meatpacking industry of July 3, 1918, and the Packers and Stockyards Act of 1921, as amended.

Chief Justice Taft in *T. F. Stafford, et al., v. Henry C. Wallace*, Secretary of Agriculture, as reported in 66 Lawyer's Edition U.S. Supreme Court Reports, volume 258, page 735, summarized the purpose of Packers and Stockyards Act of 1921 when he said, "The Packers and Stockyards Act of 1921 seeks to regulate the business of the packers done in interstate commerce and forbids them to engage in unfair, discriminatory, or deceptive practices in such commerce, or to subject any person to unreasonable prejudices therein, *or to do any of a number of acts to control prices*, to establish a monopoly in the business." And the emphasis is supplied.

He went on further to say, "The chief evil feared is the monopoly of the packers enabling them *unduly and arbitrarily to lower prices to the shipper who sells*, and unduly and arbitrarily to increase the price to the consumer who buys. Congress thought that the power to maintain this monopoly was aided by control of the stockyards." And again the emphasis is supplied.

At the time of the *Stafford v. Wallace* decision most of the livestock passed through terminal markets. Therefore, emphasis was put on the relationship of the packers to those markets.

While packer feeding, generally, is so new that its effect on livestock prices is difficult to ascertain, yet there are areas in which it is so extensive that a comparison may be drawn as to its effect on prices with areas where it is less extensive. Packer feeding is an attempt to obtain livestock supplies outside of competitive markets, whether they be terminal markets or auctions, the same as direct buying.

So, some conclusions may be drawn from the trend of livestock prices in the last 15 years in comparison to the general economy, as well as observations from personal experience.

Table 6 of the Packers and Stockyards Résumé, volume II, No. 11, dated December 11, 1964, published by the Consumer and Marketing Service of the Packers and Stockyards Administration, sets forth a table by States of the cattle and calves fed by or for meatpackers for the years 1961, 1962, and 1963.

Similarly, table 7 of volume III, No. 11, issued November 26, 1965, sets forth the cattle and calves fed by or for the packers for the years 1962, 1963, and 1964.

In that report the amount of cattle fed in the State of Colorado is considerably more than that fed in the State of Iowa.

This information has been gathered from the annual reports filed by packers with the Packers and Stockyards Administration.

It must be noted that the separate feeding activities by owners, officers, employees, or nonreporting subsidiaries or affiliates are not included. It is common knowledge that the amount of feeding by

those groups greatly exceeds that as reported as fed by packers. The amount of cattle fed by or for meatpackers in Iowa is relatively small compared to the total slaughter in Iowa, while in Colorado it is fairly substantial.

Comparison of the number of cattle and calves slaughtered in Iowa with that slaughtered in Colorado for the years 1949 to 1964, inclusive, is shown on exhibit No. 1, which is attached to this statement.

Exhibit No. 2, attached hereto, is a statement showing the average yearly price paid for choice slaughter steers at the Sioux City Stock Yards and the Denver Union Stock Yards for the years 1949 to 1965, inclusive.

This exhibit shows that generally the prices paid at Denver greatly exceed those paid at Sioux City for the years prior to and including 1960, and for the years subsequent to 1960 higher prices were paid at Sioux City as compared to those paid at Denver. Obviously, packer and related feeding have had a depressing effect on prices paid to independent livestock producers in Colorado.

It is my opinion that one of the reasons for the failure of livestock prices to follow the general prosperity of or inflation in the country is the increase in direct buying by packers, and now the upsurge in cattle feeding by the packers.

Since 1949 there has been a substantial increase in the weekly earnings of production workers, as well as a substantial increase in consumer price index. Exhibit No. 3 is a statement showing the hourly, weekly, and yearly earnings of production workers in the State of Iowa for the years 1949 to 1965, inclusive. You will note that the average annual earnings have practically doubled during that time. Exhibit No. 4 is a statement showing the consumer price index for the years 1949 to 1965, inclusive. This shows that prices have risen over 33 percent since 1949.

While figures on direct buying of cattle and calves are not readily available over an extended period of time, yet figures are available for the slaughter movement of cattle and calves through public stockyards and the total commercial slaughter.

Exhibit No. 5, attached hereto, is a statement showing the salable receipts of cattle and calves at public stockyards for the years 1949 to 1964, inclusive, the feeder shipments, the slaughter receipts, the total commercial slaughter and the percent of commercial slaughter received from public stockyards.

The commercial slaughter not purchased at public stockyards was either purchased direct, fed by or for packers, or purchased through auction markets. The amount of purchase at auction markets for the last 4 years has not increased materially and amounts to around 6 to 7 million head. So the balance of the commercial slaughter would be purchased direct or be fed by or for packers. You will note from this exhibit that since 1949 there has been a marked decrease in the percentage of commercial slaughter cattle purchased at public stockyards.

Yet, during this period, the price per hundredweight received by the cattle producer in this country has not increased. While it has varied from year to year, yet the price in 1965 was no higher than it was in 1949 and 1950.

Exhibit No. 6, attached hereto, is a statement showing the average yearly price paid for choice slaughter steers at Chicago for the years 1949 to 1965, inclusive. This statement shows that prices received

during 1963 and 1964 were substantially below those received from 1949 to 1954, inclusive. During this same period, the cost of machinery and other things a livestock feeder has had to purchase have skyrocketed. For instance, a farm tractor of a well-known manufacturer cost \$1,500 in 1949. Today its counterpart cost \$6,000.

There must be one or many reasons why livestock prices and the resulting income to our livestock producer has not followed the increase in consumer income nor the general price index. It certainly cannot be said that our consumer is eating less beef, and, therefore, cattle are in excess supply.

Exhibit No. 7, attached hereto, shows the per capita consumption of various red meats and poultry in the United States from 1949 to 1965, inclusive. This statement shows that the per capita consumption of beef has risen from 60.1 pounds in 1949 to 99 pounds in 1965. Certainly our appetite for beef and our ability to pay is clearly shown by the increase in per capita consumption and the increase in annual wages.

Any experienced market man on the Sioux City stockyards can tell when the local packers have a supply of cattle on hand, which they have either purchased direct or brought in from their own feedlots. Their buyers that day are not aggressive and are bearish on the market. If they are not successful in breaking the market, you can find them figuratively sitting on the fence in the coffeeshop at 9:30 or 10 in the morning. If there are not enough outside orders to give strength to the market, they will succeed in breaking the price.

Since practically all livestock purchased direct is purchased off some terminal market price the entire livestock economy suffers by their ability to lower the price at the marketplace.

Certainly, if the Packers and Stockyards Act, as originally passed, was for the purpose of regulating the business of packers to prevent them from doing any number of acts to control prices, then the amendment as proposed in H.R. 12115 is timely and should be adopted as law of the land.

(Exhibits Nos. 1 to 7 follow:)

EXHIBIT No. 1

Statement showing cattle and calves slaughtered in Iowa and Colorado for the years 1949 to 1964, inclusive

Year	Cattle and calves slaughtered	
	Iowa	Colorado
1949	1,797,000	486,500
1950	1,744,000	530,600
1951	1,426,000	517,000
1952	1,670,000	617,600
1953	2,275,000	804,600
1954	2,366,000	885,400
1955	2,477,000	959,900
1956	2,689,000	1,014,500
1957	2,687,000	896,900
1958	2,605,000	868,800
1959	2,648,400	921,000
1960	2,888,800	1,059,400
1961	3,121,100	1,128,700
1962	3,310,500	1,168,700
1963	3,595,200	1,176,300
1964	4,007,100	1,326,600

Source: U.S. Department of Agriculture Statistical Bulletins: 1949-62 Bulletin No. 333, July 1963, pp. 121-124; 1963 and 1964 supplement to Bulletin No. 333, September 1965, p. 66.

EXHIBIT No. 2

Statement showing average yearly price paid for choice slaughter steers at Sioux City stockyards and Denver Union stockyards for years 1949 to 1965, inclusive

Year	Price per hundredweight		
	Sioux City	Denver	Denver over Sioux City
1949	\$26.09	\$28.11	\$2.02
1950	29.14	31.33	2.19
1951	35.12	35.63	.51
1952	32.48	32.16	(.32)
1953	23.45	23.79	.34
1954	23.81	23.94	.13
1955	22.07	23.10	1.03
1956	21.37	21.28	(.09)
1957	22.83	23.19	.36
1958	26.45	27.03	.58
1959	26.88	27.32	.44
1960	25.33	25.67	.34
1961	24.00	23.70	(.30)
1962	26.47	26.18	(.29)
1963	23.18	23.10	(.08)
1964	22.25	21.95	(.30)
1965	25.22	25.29	.07

Source: Years 1949 to 1954, inclusive. Average of monthly livestock quotations—LS 214; years 1955 to 1962, inclusive. Statistical Bulletin No. 333. "Livestock and Meats Statistics 1962," USDA, pp. 224, 225 and 230; year 1963, "Livestock Meats and Wool Market News Weekly Summary," week ending Jan. 16 1965, p. 47; year 1964, supplement to statistical Bulletin 333, "Livestock and Meats Statistics," p. 113; year 1965, "Livestock Meat and Wool Market News Weekly Summary," week ending Jan. 15, 1966, p. 47.

EXHIBIT No. 3

Statement showing hourly, weekly, and annual earnings of production workers in the State of Iowa

Year	Earnings		
	Hourly	Weekly	Annual
1950	\$1.40	\$58.16	\$3,024.32
1951	1.55	64.81	3,370.12
1952	1.62	67.08	3,488.16
1953	1.69	69.08	3,592.16
1954	1.76	71.01	3,692.52
1955	1.84	75.73	3,937.96
1956	1.94	78.37	4,075.24
1957	2.06	82.46	4,287.97
1958	2.17	87.02	4,525.04
1959	2.29	93.22	4,847.44
1960	2.35	93.68	4,871.36
1961	2.45	97.68	5,079.36
1962	2.53	100.87	5,245.24
1963	2.62	105.47	5,484.44
1964	2.71	108.40	5,636.80
1965	2.77	110.80	5,761.60

Source: Iowa Employment Security Commission.

EXHIBIT No. 4

Statement showing per capita consumption of beef, veal, lamb, pork, and poultry

Year:	Index	Year—Continued	Index
1949	100.0	1958	123.5
1950	102.8	1959	124.6
1951	111.0	1960	126.4
1952	113.5	1961	127.8
1953	114.4	1962	129.3
1954	114.8	1963	130.9
1955	114.5	1964	132.6
1956	116.2	1965	134.7
1957	120.2		

NOTE.—Converted 1964 and 1965 to 1947–49 base.

Source: Bureau of Labor Statistics Consumer Price Index U.S. base 1947–49 equals 100.

EXHIBIT No. 5

Statement showing salable receipts of cattle and calves, feeder shipments and slaughter receipts at public stockyards and total commercial slaughter for the years 1949 to 1964, inclusive

Year	Public stockyards					Total commercial slaughter ³	Percent of commercial slaughter from public stockyards
	Salable receipts ¹			Feeder shipments ²	Slaughter		
	Cattle	Calves	Total				
1949-----	16,132,471	4,428,781	20,561,252	4,185,674	16,375,578	28,841,500	56.8
1950-----	15,217,192	4,087,711	19,304,903	4,485,360	14,819,543	27,873,300	53.2
1951-----	14,104,561	3,708,439	17,813,000	5,171,580	12,641,420	24,794,200	51.0
1952-----	15,962,598	3,887,957	19,850,555	5,173,888	14,676,667	26,749,400	54.9
1953-----	18,897,829	4,385,214	23,283,043	4,390,140	18,872,903	35,273,600	53.6
1954-----	19,526,736	4,406,258	23,932,994	5,239,613	18,693,381	37,762,900	49.5
1955-----	19,076,880	3,858,131	22,935,011	5,047,375	17,887,636	38,099,500	46.9
1956-----	19,696,769	3,979,885	23,676,654	5,192,408	18,484,246	39,373,300	46.9
1957-----	17,871,453	3,391,140	21,262,593	5,154,667	16,107,926	38,135,700	42.2
1958-----	16,571,518	2,751,032	19,322,550	5,455,858	13,866,692	32,870,200	42.2
1959-----	16,471,886	2,599,256	19,071,142	5,656,237	13,414,905	30,613,700	40.8
1960-----	16,503,849	2,564,481	19,068,330	5,387,552	13,680,778	33,449,200	43.8
1961-----	15,810,786	2,301,795	18,112,581	5,465,606	12,646,975	33,335,500	40.9
1962-----	15,403,218	2,335,225	17,738,443	6,103,139	11,635,304	33,577,600	37.9
1963-----	14,841,495	2,196,968	17,038,463	5,740,678	11,297,785	34,064,600	34.7
1964-----	15,836,560	2,257,263	18,093,823	5,695,547	12,398,276	38,071,700	32.2

¹ Years 1949-57: P. 50-51, Bulletin No. 230, July 1958; 1958-62: P. 47-48, Bulletin No. 333, July 1963; 1963-64: P. 39, Bulletin No. 333, September 1965.

² Years 1949-57: P. 58-59, Bulletin No. 230, July 1958; 1958-62: P. 55-56, Bulletin No. 333, July 1963; 1963-64: P. 42, Bulletin No. 333, September 1965.

³ Years 1949-57: P. 104, Bulletin No. 230, July 1958; 1958-62: P. 121-124, Bulletin No. 333, July 1963; 1963-64: P. 66, Bulletin No. 333, September 1965.

Source: U.S. Department of Agriculture statistical bulletins.

EXHIBIT No. 6

Statement showing average yearly price paid for choice slaughter steers at Chicago stockyards for years 1949 to 1965, inclusive

Year:	Price per hundredweight	Year—Continued	Price per hundredweight
1949-----	\$26.07	1958-----	\$27.42
1950-----	29.68	1959-----	27.83
1951-----	35.96	1960-----	26.24
1952-----	33.18	1961-----	24.65
1953-----	24.14	1962-----	27.67
1954-----	24.66	1963-----	23.96
1955-----	23.16	1964-----	23.12
1956-----	22.30	1965-----	26.19
1957-----	23.83		

Source: Years 1949 to 1954, inclusive. Average of monthly livestock quotations—LS 214; years 1955 to 1962, inclusive. Statistical Bulletin No. 333, livestock and meats statistics, 1962, USDA, pp. 224, 225, and 230; year 1963, Livestock Meat and Wool Market News Weekly Summary, week ending Jan. 16, 1965, p. 47; year 1964, supplement to Statistical Bulletin 333, livestock and meats statistics, p. 113; year 1965, Livestock Meat and Wool Market News Weekly Summary, week ending Jan. 15, 1966, p. 47.

EXHIBIT No. 7

Statement showing per capita consumption of beef, veal, lamb, pork, and poultry for the years 1949 to 1965, inclusive

Year	Beef	Veal	Lamb	Pork	Poultry
1949	60.1	7.6	3.2	67.1	22.1
1950	63.4	8.0	4.0	69.2	24.7
1951	56.1	6.6	3.4	71.9	26.1
1952	62.2	7.2	4.2	72.4	26.8
1953	77.6	9.5	4.7	63.5	26.7
1954	80.1	10.0	4.6	60.0	28.1
1955	82.0	9.4	4.6	66.8	29.6
1956	85.4	9.5	4.5	67.3	31.4
1957	84.6	8.8	4.2	60.2	34.0
1958	80.5	6.7	4.2	67.6	35.2
1959	81.4	5.7	4.8	61.1	34.4
1960	85.2	6.2	4.8	65.2	37.8
1961	88.0	5.7	5.1	62.2	37.2
1962	89.1	5.5	5.2	63.8	37.7
1963	94.5	4.9	4.9	65.5	38.1
1964	99.0	4.9	4.6	63.0	40.8
1965	99.0	5.2	3.7	58.7	

NOTE.—Poultry includes broilers and turkeys.

Source: Agricultural Statistics—U.S. Department of Agriculture 1949 to 1964 inclusive—Tables 529, 605, and 615; 1965—Consumer and Marketing Service, USDA.

Mr. PURCELL. Mr. Olson.

Mr. OLSON. You have presented a very, very interesting statement, Mr. Rodeen. I compliment you for your frankness, and I believe we are getting into some areas that we surely need to get into.

I had jotted down a note to make inquiry as to whether or not you, or any witness knew something about the stockyards end of the business, to indicate whether or not they felt that packer-fed cattle were coming into the market at any specific time, and you have cleared that up, somewhat, on the bottom of page 6.

I am wondering if there is any possible way in which we might know, in a more specific manner, if shipments of cattle in large numbers appear in the stockyards could readily be determined to not be an ordinary operation, or to be associated with a feeding-type of operation that might be connected with packers?

Mr. RODEEN. Are you asking whether there are any, other than packer-fed cattle?

Mr. OLSON. No. I am trying to find out if we can identify the packer-fed cattle as coming into the public yards for sale?

Mr. RODEEN. I doubt whether you can get that from a stockyard company as such, even though they might come through the market itself.

You must understand that a lot of these packer-fed cattle, and others they buy direct, do not come to the public market at all; they go direct to the plant; but even some of those that do, we have no way of telling. For example—I am just using this as an example, not that it ever happens—we will assume that Armour & Co.—Let's assume they have actually fed some cattle, and they ship them to our market. They come to the market without going to the plant. They are identified, as far as we are concerned, as anything they tell us, so far as the point of origin. All they show is Armour to Armour, whether contract or own-fed cattle. Now I do not know what they are.

I know in our area the packers have contracted with large feeders for cattle, and to my mind that is just the same as if they were fed by the packer, because they are fed for him.

Mr. OLSON. You say the transaction indicates Armour to Armour?

Mr. RODEEN. That's right.

Mr. OLSON. Now these cattle could be contract-fed feed cattle?

Mr. RODEEN. That's right. They could be or they could be their own.

Mr. OLSON. They could be contract-fed cattle or they could be their own cattle?

Mr. RODEEN. Or they could have bought them direct at this other point.

Mr. OLSON. Would they purchase at the direct buying station cattle and bring them to the public yards in Sioux City, for instance, and run them through again? Is there this possibility? I suppose there is a possibility of that, but do you know?

Mr. RODEEN. No, I don't believe that in the case of cattle, Congressman. In the case of cattle they are weighed at the yards, or at the local elevator, or at our plant. That could happen any one of the three ways. Now if you are saying that we count them twice, so to speak; no.

Mr. OLSON. No, no. I am thinking of the effect on the market. We have had pointed out that of course the control of that number of cattle, whether it's 3 percent or 4 percent I think that we more or less agreed that it is definitely a significant factor. Now the most immediate effect on current price would be to run the cattle through the public market to drive prices directly down, rather than drive price down by eliminating demand. There are two ways of doing it.

Mr. RODEEN. Yes.

Mr. OLSON. You can bring it in and eliminate the demand, or sit on the fence, because you have no order to buy, or you can have your cattle in the yards.

Mr. RODEEN. I will give you a specific example. One of the gentlemen preceding me touched upon the same thing. Last Monday we had 7,500 fat cattle on sale, and some of the packers had directs in, and they were very inactive, and yet that same afternoon buyers for those same packers were out in the country buying cattle, and they were pricing them on the basis of what the Sioux City market was that morning.

Mr. OLSON. In exhibit 5 you point out the percent of commercial slaughter from public stockyards. This shows almost a reduction of 45 percent, or something like that.

Mr. RODEEN. That is correct.

Mr. OLSON. In the last 15 years. And this is in spite of the fact that part of this 32.6 percent are the intratransactions we have been discussing?

Mr. RODEEN. No, they are not. If you notice the heading on top, it says, "Receipts at public stock yards". It is the sale of receipts, not packers' receipts that come, for example, Armour to Armour. They are excluded.

Mr. OLSON. I see. Anything that would be identified as an intra-sale or Armour to Armour sale, as you illustrated, would not be in

here, but there could be the contract cattle that are not so identified in here?

Mr. RODEEN. That is correct, if they would go to a marketing agency on the pretense they were for sale.

Mr. OLSON. So, just for supposition's sake, this figure may, in effect, be lower than it is? This is a high figure?

Mr. RODEEN. This is the highest figure that would be obtainable. I am sure you wouldn't take 1 percent off the figure.

Mr. OLSON. How much do you think, or is there any way of getting figures to identify how much is through direct buying stations, so that we could lump the two of them? Could we, by the process of elimination, get down to a more specific figure as to how many packer-fed cattle are going in directly?

Mr. RODEEN. I am sure the Market News Service should have such a figure that you are asking for.

Mr. OLSON. I would assume what you are talking about then is the cattle bought at the plant, and by taking this and those purchases off you can get some idea what they either feed themselves or have under contract feeding? They certainly must make reports to stockers, and packers, and to stock yards administrations at their plants?

Mr. RODEEN. I have never been privileged to see them. They are confidential information. I am sure they do.

Mr. OLSON. I am going to let someone else ask questions. I thank you, very much. Your statement was a very constructive addition to our testimony here, sir.

Mr. PURCELL. Mr. Greigg.

Mr. GREIGG. Mr. Chairman, I wish to say that I have known Mr. Ray Rodeen for many, many, many years. He comes before us this afternoon as a man well equipped. He is one of the most knowledgeable and dedicated men in his field.

I want to commend you, Ray, for a solid statement, which you gave this afternoon.

I would like to ask you if you would care to give us your thoughts as to what the future holds for the terminal market as the development of packing plants adjacent to terminal markets continue.

Mr. RODEEN. If I knew that, I could be a millionaire.

I am of the opinion that the terminal market—some terminal markets—some form of price quoting markets will exist.

I personally feel the so-called river markets are at a point where there is an excess supply of livestock. Supply and demand only work when you have effective supply and effective demand.

Getting back to Congressman Olson's question: If the packers would flood any point with 2,000 or 3,000 cattle on Monday, that is supply but not effective supply, as far as determining price, unless in the negative.

Without the sound protection, as the Hull bill is providing, or as it is attempted here to provide, I think the effect of the terminal market is going to be limited.

I will be honest about it. We are in the business to make a little money. We have the rates set by the Packers and Stockyards Administration. We try to make the 7 percent they tell us we are entitled to. The only way to do that is by serving the livestock pro-

ducers. We can only do that if we come to the effective point at which the prices are made.

Mr. PURCELL. Mr. Callan.

Mr. GREIGG. Thank you.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. I do want to thank you, also, for a fine statement. We talked about this free competitive market. Do you think we have a free competitive market when the public stockyards handle only 32 percent of the total kill?

Mr. RODEEN. You look at the picture. The number handled has not decreased, as far as volume is concerned. So we haven't lost the import as far as volume, but percentagewise.

Mr. CALLAN. So when you only market roughly one-third of the total livestock, as compared to 1949, when you marketed almost 60 percent—Do you think that when the central markets only handle one-third of the cattle you actually have a competitive market situation now? I know you do in your market at the time. I am talking from the national standpoint of all the markets.

Mr. RODEEN. I think there are parts of the country I would have to say "No" to your question right out. In the Midwest I think we still do. I still want to emphasize the simple fact where a livestock producer in the State of Iowa sells his livestock, he is going to be paid on some give or take-off of some public terminal market price. Whether he is successful in getting a little more or less, I don't know, but basically he is going to be paid off at that price.

Mr. CALLAN. I agree with you that the terminal market still sets a price at that market on that particular day. What I was trying to ask you was if you thought where you only handle one-third of the volume, whether or not this really constituted a competitive nationwide market?

Mr. RODEEN. Well, it can't constitute a nationwide market because there are not terminal markets throughout the Nation. I would say in the Midwest States, yes. For instance, in our local area there are around 2 million cattle in feed, I think, in about a 75- or a 90-mile area. Sioux City gets about a million of them. We are still getting half of what you might call your trade territory.

Mr. CALLAN. Are there any large packer feed lots around the Sioux City area?

Mr. RODEEN. They are hard to identify as such. I say there are.

Mr. CALLAN. You say there are?

Mr. RODEEN. Yes.

Mr. CALLAN. Thank you.

Mr. PURCELL. Mr. Schmidhauser.

Mr. SCHMIDHAUSER. No questions.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. Mr. Rodeen, I am also very pleased with your statement. I think it gives us a little insight that I, at least, didn't have before. I am very appreciative of the statement.

Now in referring to the number of cattle fed by packers, do you know where the Department of Agriculture gets these figures?

Mr. RODEEN. They only get the figures as prepared and sent on the annual reports, and they only have asked for them in the last 3 or 4

years, as to what that particular company feeds. It does not include subsidiary companies, affiliates, or so forth.

As an example, and this is not to my knowledge but only hearsay, one packer out in Colorado, I have been told by letter, has the left-hand feed more than the right-hand packer. So when they have a 50 thousand figure for cattle fed in Colorado, my information is there is over 300,000 and there are only about 3 million cattle marketed in the State of Colorado. So the packer in Colorado, if my figure is correct, is feeding about 30 percent of all the cattle marketed in Colorado, where this contract figure states otherwise.

Mr. BANDSTRA. In other words, the Department of Agriculture only gets as a basis for their figures what the packers supply them?

Mr. RODEEN. That is correct.

Mr. BANDSTRA. I am not too familiar with the Hull bill, but I am going to get interested in it very quickly when I get back to Washington. Anyway, I know it amends the Packers and Stockyards Act. Does it provide that the Department could get information on its own, without relying on the packers, as to what is going on?

Mr. RODEEN. I don't believe that particular point is in the bill.

Mr. BANDSTRA. Maybe it would be a good point to put in the bill?

Mr. RODEEN. I think it would.

Mr. BANDSTRA. I noticed the packers make the argument—and I am sure they couldn't have any objection to this—they make the argument in connection with the legislation, which would propose to shift the costs of the meat inspection service over to the packers, they say it shouldn't be that way, and it is a good argument. I notice a number of witnesses support them, and I am inclined to agree that the policed should not be paying the policeman.

Mr. RODEEN. That's right.

Mr. BANDSTRA. Now I am wondering—they would certainly almost have to agree with you and I, I am sure, that the information ought to be gotten from a different source, because they shouldn't be the only persons providing the information. It is about like relying in criminal cases only on the testimony of the chicken thief. You are not going to get any place that way. There should be an outside agency checking these facts.

Mr. RODEEN. I believe the Packers and Stockyards Administration has the power at least to get the figures from the packers themselves, and they have the right to investigate, I believe, their reports. Now, whether they have a right to get it from the subsidiary companies, I doubt that. Maybe the law should be amended so it would include auxiliary and affiliated companies or affiliates.

Mr. BANDSTRA. The truth of the matter is they are so understaffed and they are arguing now about a hundred- or two-hundred-thousand-dollar appropriation. They have the personnel sitting around at weighing stations some places, because they don't have money to go out and make investigations, and they never have had the personnel to enforce the Packers and Stockyards Act. I think everybody recognizes that.

I just want to make the statement that the percentage figure—and there is no other information than what they collect from the packers—that the figure, from a practical standpoint, only represents one-fifth of what is being done, as far as anyone knows.

Mr. RODEEN. That's right.

Mr. BANDSTRA. What is your opinion, then, as far as timing is concerned? And I am not particular about the approach you use, just so you can get the job done as well as you believe you can.

Mr. RODEEN. As I always say, "You never lock the barn door after the horse is out."

Mr. BANDSTRA. In other words, if you are going to stop it, you are going to stop it before it is too late?

Mr. RODEEN. In the first place, I think the independent feeder would be out of business by the time you found some effective method for it; and in the second place, you get a lot of people in support of what is being done, because they get into the act.

Mr. BANDSTRA. Thank you very much.

Mr. PURCELL. Mr. Redlin.

Mr. REDLIN. No questions.

Mr. PURCELL. Mr. Schisler?

Mr. SCHISLER. No questions.

Mr. PURCELL. Let me ask you one or two things on the Sioux City stockyards. How many buying agencies are there on your yards?

Mr. RODEEN. Generally, with the exception of one way or the other, 50 or 60 different buying organizations on the market. They consist of various staff buyers for plants located at Sioux City. They consist of staff buyers for packers who do not have plants at Sioux City, but maintain staffs there every day. I call them order buyers or purchasing agents for packers who do not have plants in Sioux City but just these people on a commission basis to make purchases for them.

Now they can represent—these order buyers—they can represent a lot of different packers, depending on the relationship over the price at other points, and the real need this packer may or may not have for livestock.

To answer your question, I would say, roughly, in effect, buyers number 50 or 60.

Mr. PURCELL. You haven't even listed commission firms yet?

Mr. RODEEN. They are the selling agents; they are not the buying agents. They are the sales department for this livestock producer. They exist and are interested only in getting more money for the livestock producer, because if they are successful in that function they can get his business.

Mr. PURCELL. You are talking about the commission firms then?

Mr. RODEEN. Yes. I call them selling agencies.

Mr. PURCELL. Let's get our language straight.

Mr. RODEEN. I will call them commission firms.

Mr. PURCELL. You know what I mean when I say a commission firm?

Mr. RODEEN. Yes.

Mr. PURCELL. How many of them are there on your yards?

Mr. RODEEN. Twenty-three.

Mr. PURCELL. Then in addition to them are there others that come in and buy the cattle?

Mr. RODEEN. Congressman, the commission man, as you term him, does not buy. He sells only.

Mr. PURCELL. I understand that.

Mr. RODEEN. So those that buy, we confine it to slaughter livestock. That is what this hearing is about. The representative or the buyer for local packing plants, that is one group of people.

Mr. PURCELL. What I am working up to is: I am a farmer.

Mr. RODEEN. Yes.

Mr. PURCELL. I am not trying to play on words, and I don't want you to, either. I bring my cattle in. They are fat cattle. They are the kind you don't want these packers to be feeding. Now who sees my cattle? And I don't mean the tourist. I mean, who sees them that wants to buy them, or help me sell them, or take an interest in them?

Mr. RODEEN. In the first place, you have a right to sell your own, if you care to do so. It is not exercised, and, in my knowledge, it is not being exercised. You will perhaps assign them to some commission firm that you have confidence in that will sell them to your advantage.

Mr. PURCELL. Now what percent of cattle that goes through your livestock yards are assigned to commission firms?

Mr. RODEEN. Those that actually come through and are slaughter livestock? I would have to get a pencil out, but it would be somewhere near at least 90 percent.

Mr. PURCELL. We are talking about the same thing. When I say the commission man is going to help sell my cattle, we are talking about the same thing, and you can call him whatever you want to call him. OK?

Mr. RODEEN. Yes.

Mr. PURCELL. And there are 23 of those?

Mr. RODEEN. That's right.

Mr. PURCELL. Now then, as you know the other side of this coin, the claim by the packer is that they have people roaming all over the country, and their's is less limited in competition, and they can see everybody and everybody can see the whole gamut of them.

Now, as far as you know, are there these 50 or 60 buying agencies or entities roaming the country up here in Iowa, South Dakota, Minnesota, and Nebraska?

Mr. RODEEN. Well, I don't know the number in any specific area. I would assume they would mostly be packers with plants in those areas, or adjacent thereto. I don't assume that the Tomka Packing Co. at Buffalo, N.Y., would be out in Iowa with their own man going up and down the roadside, or if there is some packer in Texas who would do so.

Mr. PURCELL. Would the outfit you mentioned from New York be out in your yards?

Mr. RODEEN. Tomka, I said, but they would have an order buyer, a purchasing agent.

Mr. PURCELL. What would prevent them from having any man on your yards or a man roaming the countryside?

Mr. RODEEN. I don't think anything, except the volume of business, whether it would be worth having a man they would be willing to pay going through the whole rigmarole.

Mr. PURCELL. What is your answer to the statement made by the packers that there is more opportunity to sell in the country than there is in the average central stockyards?

Mr. RODEEN. No. 1, I would answer that question by saying that a livestock producer sitting out at Alta, Iowa, would not have the number of representatives of different packing plants calling on him that would see his livestock, such as at a point such as Sioux City. He could have one, two, or three that would perhaps stop in, and that would probably be the limit that would look at his particular livestock. That would be one thing in Iowa.

Mr. PURCELL. There is nothing, though, to prevent that feeder from wherever in Iowa you put him from having made it his business to get these buyers in there to see his cattle? If he was a large enough feeder, he could perhaps attract considerably more buyers than what you and I would term as an "individual family farm" or "livestock feeder"?

Mr. RODEEN. No; there isn't.

Mr. PURCELL. OK. What is another answer? You and I are just arguing now. What is another answer to this?

Mr. RODEEN. An answer to which?

Mr. PURCELL. You say in the first place you don't think you can get them out there, but there will be testimony presented to this committee, and I can guarantee you this, that will say, "Feeders out in the country have an opportunity to sell more than in the central market."

Mr. RODEEN. Arguing this another way, he will not get the number of buyers to look at the cattle.

Mr. PURCELL. We have gone over this.

Mr. RODEEN. No. 2, it is costing the packer to send this man up and down the road trying to buy cattle, than it would be if he had that same buyer sitting in a central market or at a central point where he could buy 400 in a day from maybe 20 different shippers, rather than to buy 50 or a hundred, whatever he may buy, by calling on the number he can by going up and down the road to get them.

Mr. PURCELL. All right. No. 3?

Mr. RODEEN. Did I say No. 3?

Mr. PURCELL. No. You say No. 2; I said 3. Now there is going to be a man sitting right in front of this committee in the future and he will say, "It is not more expensive for me to buy that way." Now what is another argument?

Mr. RODEEN. Well, I think the question of what it would cost him.

Mr. PURCELL. I understand that.

Mr. RODEEN. I don't know who that will be telling you that, but all I can say is this is something else again. If you have read any of the financial statements put out to the stockholders of so-called independent packers, and I will call them the ones who do most of the direct buying, they will tell the stockholders why they made the profit was because they have gone to the country to buy the cattle. I can produce to this committee the financial statement of the stockholders saying that.

Mr. PURCELL. You do that, please. Now is there anything else you would choose as an argument on your side, if you were confronted with one of these people?

Mr. RODEEN. I am talking off the top of my head now. I will have to think about it.

Mr. REDLIN. Mr. Chairman, this brings a question to mind.

Mr. PURCELL. Yes.

Mr. REDLIN. Mr. Rodeen, I notice on page 4 you make the statement—

It is my opinion that one of the reasons for the failure of livestock prices to follow the general prosperity of or inflation in the country is the increase in direct buying by packers, and now the upsurge in cattle feeding by the packers.

Do I understand from your testimony, you feel we have an opportunity to get at this through this legislation and do something about

the upsurge in cattle feeding? But are you also suggesting that we ought to be doing something about direct buying?

Mr. RODEEN. I am not saying that as something you should try to avoid or eliminate. I think maybe the present situation under which direct buying exists, that something should be done along that line, as to the various gimmicks in which they use to make their purchases. I don't want to get into a position of legislating any form of marketing in Iowa, so far as livestock producers are concerned. We at the terminal market have to live, as well as the others. I don't think we should legislate livestock marketing. I think the marketing is the prerogative of the man himself.

Mr. CALLAN. May I ask another question?

Mr. PURCELL. Yes, sir.

Mr. CALLAN. What you are saying here, actually, is you believe through the packer feeding, contract feeding, that this practice does have some influence on the market price in Sioux City, Iowa.

Mr. RODEEN. I think it does, and I am using the direct buying as an example. After all, in Iowa, packer feeding is comparatively new. In such places as Colorado it is much more widespread. That is why I put in the States I did. I am using direct buying insofar as local areas are concerned, to show us what happens nationally and locally. It gets down to about the same thing. It controls supply without having anybody working in the supply-and-demand market.

Mr. CALLAN. You believe the packers in that area through contracts with plants here, or through moving their own cattle into the packing plants around the Sioux City market, or into the markets, at times do have a depressing effect upon the market?

Mr. RODEEN. I don't think there is any question about it.

Mr. CALLAN. Thank you.

Mr. PURCELL. I am no less impressed with your statement than these other folks. I hope you understand that I am not trying to be a smart aleck, either, and I just want to try and get some information in the record.

What are you, as a central market man, doing to convince a feeder that you can pay more money for his cattle?

Mr. RODEEN. Well, we are trying to convince him of that through what we call public relations, through newspapers, and radio, and television releases, and those things. I think, basically, if we can get the livestock man and feeder convinced if he got exactly the same money he had better support the system which sets the price for the entire production. I don't think we should have to convince the livestock producer that he would get more money, if he got the same money after he took out the expenses. It would be to his advantage to support the system that set the price for everything.

Mr. PURCELL. How are you doing on that?

Mr. RODEEN. I will put it this way: As far as Sioux City itself is concerned our receipts vary year to year. On hogs they have grown since 1950.

Mr. PURCELL. What about your cattle? Has that grown?

Mr. RODEEN. That has practically doubled.

Mr. PURCELL. In your area?

Mr. RODEEN. I would say so; yes.

Mr. PURCELL. You have done a pretty good job of convincing these feeders that you do a good job for them I am sure.

Mr. RODEEN. Well, we hope so.

Mr. PURCELL. Now the purpose of my question is, What can be done, whether this legislation ever passes or doesn't pass, to get the central market stronger overall? I am speaking of your market, the Omaha market, the Oklahoma market, the Nebraska market, or anybody else's market. And I am not running your markets down, but they are not doing too well in these cases. Why are not the other markets able to do this?

Mr. RODEEN. Well, I suppose part of it, you know, could be—you know, after all, direct selling is as old as time. They had that in the days of Rome. They had to pass a law that the buyer couldn't buy from the drovers as they came into town. So that is nothing new. Terminal markets are only a little over a hundred years old. Now they have come and gone and trucks have affected them, and so on and so forth, and now we call it packer feeding or direct buying, whatever you want to call it. I don't know what is the answer.

We tried to get younger men in the selling business, and we put on a program and hired people from Iowa State University, and hired people who were more qualified, a better quality of people for selling livestock. We tried to get the Packers and Stockyards Administration to trade practices, and not to worry whether we charged a dollar or 2 cents a head. After all, competition takes care of that. I think the people in the Department have come to the conclusion that it is to the livestock producers' advantage to have a strong market rather than worry about whether it is a dollar or 2 cents.

Mr. PURCELL. Let me butt in there. I am not asking about your commission men, necessarily. Do you feel it would be a benefit to the central market setup if the owners of the central markets had more control over those commission people—or you call them whatever you want to?

Mr. RODEEN. I very definitely do. I don't know of any business in the world where the owners of the business do not control the sales department, except through the terminal markets.

Mr. PURCELL. You can't fire one of them.

Mr. RODEEN. I can't fire him, unless he was guilty of committing a felony.

Mr. PURCELL. If you caught him? You would have to catch him then?

Mr. RODEEN. I would have to catch him doing that.

Mr. PURCELL. All right. I appreciate that it looks as if we have gotten way off the subject, but we really haven't.

Thank you very much.

Mr. RODEEN. Thank you, sir.

Mr. PURCELL. Ruth Fick, program coordinator of the Mississippi Valley Labor Conference.

Ruth Fick, would you please come forward?

I understand that Mr. Richard Fallow, also a program coordinator of the Mississippi Valley Labor Conference, is also with you, Mrs. Fick.

Mrs. FICK. Yes.

Mr. PURCELL. You may proceed.

**STATEMENT OF RICHARD FALLOW, PROGRAM COORDINATOR,
MISSISSIPPI VALLEY FARM-LABOR CONFERENCE**

Mr. FALLOW. Mr. Chairman and committee members, Representative Bert Bandstra's proposed bill to ban livestock feeding by certain packers and the chainstores deserves the serious consideration and wholehearted support of all groups in our American society who put the welfare of the people first.

The Mississippi Valley Farm-Labor Conference at a seminar last February unanimously endorsed this piece of legislation and requested us to testify at this hearing. Farmer-labor conference is an informal group which brings together for discussion and educational purposes both family farmers and workers from the cities.

My name is Dick Fallow. I am from organized labor in the Quad-City Area. With me is Mrs. Ruth Fick, a farmwife from Muscatine County, Iowa, who will share the presentation of this testimony.

We are sympathetic to those from farmer organizations who express the fear that livestock feeding by big packers and chainstores results in manipulation of supplies with adverse effect on prices paid to family farmers.

We are disturbed over this possibility because we know that if you hurt agriculture economically you undermine the health of the entire economy.

Workers in the city are more and more coming to realize that farmers are some of the biggest customers for the goods which they make in the factories—items such as petroleum, steel, rubber, farm implements, trucks, and so on. If the buying power of farmers is cut then their purchases are reduced with a resultant cut in industrial jobs. The connection between folks in the cities and on the farms is that direct.

The Mississippi Valley Farmer-Labor Conference also views Mr. Bandstra's proposed legislation from the consumer's angle. Consumers have a stake in preventing monopoly control of livestock supplies. If the larger packing firms, giant chainstores, or other financial combinations secure a firm control of decisive amounts of livestock, then what would prevent them from artificially rigging meat prices at higher and higher levels? We have already seen the unfortunate results of monopoly rigging of prices in such industries as electrical, steel, auto, rubber, and other basics, where a few large companies control the supplies.

Thus, we support Mr. Bandstra's bill because we feel it will help strengthen the entire economy and will also help protect consumers.

And now Mrs. Fick wishes to discuss this bill as it translates out into human terms.

**STATEMENT OF RUTH FICK, PROGRAM COORDINATOR, MISSISSIPPI
VALLEY FARM-LABOR CONFERENCE**

Mrs. FICK. Mr. Chairman and committee members, if this piece of legislation we are considering today will help to keep families on the farm, and I think it will, then it merits the support of all Congressmen and of the American people.

I'm a farmer's wife and have lived in the country all my life. It hurts to see your neighbors and their children forced off the farm by

inadequate incomes. If you make it impossible for the large packers and chainstores to depress livestock prices through controlling supplies, then you are shielding family farmers from the wolves of economic ruin.

I feel that I reflect the sentiments of many farm wives, when I urge you to bear in mind that in the last 20 years about one-half of the farms have disappeared. This decline is continuing.

Are we to raise families only to have our children leave when they become adults in order to secure gainful employment in the cities? That is exactly what is happening because of the economic pinch on family farmers. This reduction of farms also has its depressing effects on smalltown merchants, churches, and other local community groups. Just as there are deserted farm homes across mid-America so are there empty stores in rural communities.

Another impact of the cost-price squeeze on farm families is that more and more farm women are compelled to seek industrial jobs in nearby cities in order to supplement the family income so they can make both ends meet. Many farm wives would prefer to stay at home, but have no choice in the matter under the financial circumstances confronting them. I remember when women on the farms would raise poultry to help out with the finances, but I personally found out, as others did, too, that raising poultry is a losing proposition.

So, in conclusion, the Mississippi Valley Farmer-Labor conference thanks this committee for its interest in the problems of livestock prices as related to feeding by certain packers and chainstores.

We hope that your interest and support will be shared by an overwhelming majority of your congressional colleagues, and that this bill will be passed in the best interest of the American people both on the farms and in the cities.

MR. PURCELL. Mr. Callan, do you have any questions?

MR. CALLAN. I have no questions.

MR. PURCELL. Mr. Greigg?

MR. GREIGG. No questions.

MR. PURCELL. Mr. Schmidhauser?

MR. SCHMIDHAUSER. Mr. Chairman, I certainly want to thank Mrs. Fick and Mr. Fallow for their very helpful testimony. It is very gratifying, indeed, to find so many segments of our economy joining together in what is a very important cause, that I intend, in my support for the bill Mr. Bandstra originated, to make sure that a copy of this testimony which you presented here today will be sent to every Congressman, including those from urban areas, to alert them to the fact that they have as deep a stake in the passage of the Bandstra bill as we in rural Iowa do today.

Thank you very much.

MR. PURCELL. Mr. Olson?

MR. OLSON. No questions.

MR. PURCELL. Mr. Bandstra?

MR. BANDSTRA. I only want to say, particularly to you, Mr. Fallow, as a member of organized labor, it is rather encouraging to me to see someone come in here who has no direct farm interest, except as you outlined in your statement, in support of farm legislation. I am just kind of sorry that sometimes when I talk to farmers they don't quite see it the other way and aren't quite as happy sometimes to come in

and support something like a decent minimum wage, which means a great deal for them in having potential buyers of their farm products.

I want to commend you, and I assume you are speaking here primarily in the interest of the consumer?

Mr. FALLOW. That is correct.

Mr. BANDSTRA. I gather, further, that you feel the consumer should be protected by not having this one aspect of our supply of food in the hands of a few people, as it was prior to 1920, when the large packers took control of the livestock industry and the retail meat market?

Mr. FALLOW. That is correct.

Mr. BANDSTRA. Thank you very much.

Mr. PURCELL. Mr. Redlin?

Mr. REDLIN. No questions.

Mr. PURCELL. Mr. Schisler?

Mr. SCHISLER. I have nothing.

Mr. PURCELL. Thank you very much.

Mrs. FICK. Thank you.

Mr. FALLOW. Thank you.

Mr. PURCELL. Mr. R. V. Christenson, president of the Clay County Livestock Feeders Association, Linn Grove, Iowa.

STATEMENT OF R. V. CHRISTENSON, PRESIDENT, THE CLAY COUNTY LIVESTOCK FEEDERS ASSOCIATION, CLAY COUNTY, IOWA

Mr. CHRISTENSON. Members of the Subcommittee on Livestock and Feed Grains, in behalf of the members of the Clay County Livestock Feeders Association, with many members in adjoining counties, we sincerely wish to thank the members of this Subcommittee on Livestock and Feed Grain for making hearings on the bill, H.R. 12115, possible.

I am a livestock feeder in the Royal area and own and operate my own feedlot and farm. Our livestock feeders in northwest Iowa have analyzed livestock feeding by meatpackers and meat processors, including a recent panel discussion led by our Congressman, Stanley L. Greigg. Many livestock feeders from eight counties attended this informative meeting.

We have witnessed a steady increase in beef feeding operations in our area in recent years, with owner-operated family farms generally feeding from 40 to 1,000 head of cattle. These operations are largely financed by our local banks.

I am firmly convinced that it is highly desirable from the standpoint of national interest to have livestock operations of this size to prevent huge losses from livestock diseases, which could be possible in these gigantic packer-feeder operations.

I would also like to emphasize that by having the Nation's cattle in small herds, roughage is turned into beef on thousands and thousands of farms, which will go to waste under the concentrated feeding system by packers. These are some of the reasons why our way of feeding cattle, which is typical of the Middle West, is the most efficient the world has ever seen and should be protected.

I am firmly convinced that packer-feeder operations, if unchecked, they eventually lead to complete monopolistic control of the livestock

and meat industry. In other words, meatpackers may own their own cattle ranches to produce feeder cattle, may own and operate their own feedlots, may own and operate their own pushbutton feed mills.

We also believe these operations will have undue depressive price influences in the grain and feed ingredient markets. These same cattle could be fed in meatpacker- and processor-owned feedlots, would be processed, of course, in their own packing plants and shipped to the retail outlets in their own refrigerated railroad cars or trucks.

This is the reason livestock feeders believe that the various operations by meatpackers and processors mentioned in the Bandstra bill are unduly depressing to the price structure of the livestock market, detrimental to the well-being of the livestock industry, and perhaps constitutes monopolistic practices.

Mr. PURCELL. Do you have any questions, Mr. Greigg?

Mr. GREIGG. I have one. Ray, it is good to see you this afternoon, and I just want to bring to the attention of the members of the committee the long interest you have displayed in this area of concern, and the type of sessions you have held up in your area.

There is one question I did want to ask you: Up in your own area around Royal, have you talked at any length with some of your local bankers in a typical rural community to gage their feeling as to what is happening in the livestock industry? What is the attitude of some of the smalltown bankers, who over the years have worked with many cattle feeders, in your own area as well as other areas, in aiding them in this industry?

Mr. CHRISTENSON. Well, your question, of course, I take it is looking into the future, and this is why I didn't make a study of any figures of any kind, because I feel that in our own county we know—I know—what our problems are better than in other fields of the livestock industry.

Now as for our banks, nearly 100 percent of our feeders borrow their money from the local bank and these loans are considered some of the best loans that they have.

In discussing this packer-feeder situation, I am not so concerned as to what has happened, but it is a good indicator of what can happen. On the other hand, we have to look into the future, and we are interested in what is going to happen. The past is a good indication. And we have in our county association nine banks with us that are financing our members, and they are just as concerned as the feeders are in our county.

I might say in our area we are probably more concerned about this packer-feeding than in most areas, because we have a large packer-feeding operation going into operation at the present time, starting March 1.

Mr. GREIGG. Ray, in that specific operation that you just referred to, what is the total number of cattle being discussed as to future feeding?

Mr. CHRISTENSON. Now, this will just have to be from what I have heard. I have not made any investigation or even asked any officials of it in regard to this, but, as I understand it, there are 600 head of cattle at the present time which are being fed. I have been told that. This is strictly what I have been told. And I have been told they are building a pushbutton feed plant costing a hundred and seventy-five

thousand dollars, and that they have \$3½ million to work with. I have been told that they are going to pave 23 acres of land, and they are planning to pave 35 more, if possible.

That is what we are concerned about. If this should take place, we would hate to see it in our county.

Mr. GREIGG. Is this being financed by local individuals, or are there some personalities on the national scene involved?

Mr. CHRISTENSON. Well, in answer to that, I feel it is mostly outside money. Of course, there is money in the community, but it is not being financed by feeders.

Mr. GREIGG. Thank you, Mr. Christenson.

Mr. PURCELL. Are there any other questions here from any of the other members of this committee? All right. Thank you, very much, sir.

Mr. CHRISTENSON. Thank you, sir.

Mr. PURCELL. Mr. A. E. Ruser, cattle feeders, Omaha, Nebr.

(No response.)

Mr. PURCELL. Let's call Mr. Glenn Long, of the Farmers Union Marketing Association, St. Paul, Minn.

Mr. Glenn Long.

You may proceed, Mr. Long.

STATEMENT OF GLENN A. LONG, GENERAL MANAGER, FARMERS UNION MARKETING ASSOCIATION

Mr. LONG. Mr. Chairman and members of the subcommittee, I am Glenn A. Long, general manager of the Farmers Union Marketing Association, a cooperative livestock marketing agency at St. Paul, West Fargo, and Sioux Falls. I guess the terminology you use is commission merchant. We are in that field.

I support House Resolution No. 12115 introduced by Congressman Bert Bandstra, which will prohibit meatpackers and retail processors of livestock and their principals from engaging in the livestock feeding business. As general manager of a cooperative livestock marketing institution that operates in the south St. Paul, West Fargo, and Sioux Falls terminal markets, I have had an opportunity to observe first-hand the activities of various meatpackers engaged in the livestock feeding business.

It is my observation that livestock fed and controlled by packers can and is being used to depress livestock prices. Supplies of livestock in the hands of packers in their own feedlots permit them to call this livestock to their processing plants to provide them with supplies, which then affords them the opportunity to stay off the competitive market, where they would normally compete with other packers for their requirements.

Competition among meatpackers for the available supply creates the price and establishes the market. Packers with available supplies of livestock in feedlots can afford to be much less aggressive in their procurement programs, and through this lack of aggressiveness depress livestock prices generally. This activity of calling livestock from their feedlots is particularly effective in holding prices down during periods of relatively light supplies, but also can be a factor in depressing prices at any time, regardless of the supply situation.

It is further my observation that the numbers of livestock being fed by meatpackers, either in their own feedlots or under contract is increasing and is reaching serious proportions.

Here I would just like to make a comment. There was difficulty about getting some figures to uphold this observation. The USDA has made some estimates, and one of their latest figures shows that 4 percent of all the commercially slaughtered cattle in the country are from packers' feedlots, but that about 9 percent of the commercial slaughter in the 13 principal cattle marketing States are now being fed by packer-feeders.

Patrons of the Farmers Union Marketing Association, some 50,000 individuals, are practically all independent farmers and livestock feeders. Practically all of these people are totally dependent on their farming and livestock feeding operations for a livelihood. These people are becoming increasingly concerned about the economic impact that packer-feeding is having on their ability to compete and survive as independent livestock producers and feeders. These small, independent livestock feeders have limited resources, and many of them are finding it difficult to survive during periods of low prices and narrow margins. This was true in 1964. Because of their limited resources and their relatively small-sized operation they find themselves at a considerable disadvantage in attempting to compete with the larger packer-feeder who has various sources of revenue and capital, and who is not entirely dependent on livestock feeding operation for his livelihood.

The capital resources of packer-feeders and the fact that they buy in relatively large numbers and quantities—both livestock and feed—gives them a considerable advantage in purchasing both feeder cattle and feed supplies in competition with the smaller, independent livestock feeder. With these advantages, and the fact that he is not totally dependent upon his livestock feeding operation as a source of livelihood, the margins in livestock feeding operations, on many occasions, have been narrowed to the point where the independent livestock producer cannot compete.

It is possible for a packer-feeder to actually carry on a feeding operation that in itself results in a loss to himself, but with the effects this operation has on overall livestock prices and his procurement costs, he is able to justify the combination of operations. This combination of increasing economic pressure has caused the decline in the total number of independent livestock feeders.

Comparing the U.S. agricultural censuses of 1954 and 1964, it is clear that the drop in numbers of farm livestock feeders has been about 10 percent in the major livestock feeding counties in the State of Minnesota.

Specifically, I got some counties at random in the better livestock feeding areas in Minnesota: Jackson County, 16 percent; Fillmore County, 9 percent; Mower County, 12 percent; Lyon County, 12 percent; Murray County, 8 percent; and Washington County, 9 percent; which, when you get them all together, figure out about at the 10-percent figure.

This is a serious threat to the stability of the independent family farmer, as well as the general economy of many of our rural communities, who are dependent upon these independent livestock feeders and farmers as patrons and supporters of the total rural community.

It should be pointed out further that the livestock feeding industry is a major source of cash income to our Corn Belt area. Weakening the economic position of these independent livestock feeders can have a tremendous effect on the economy of rural America.

I firmly believe that the independent livestock feeder and family farmer deserve the type of protection afforded in this proposed resolution. This type of protection is not new on the American scene. Many businesses and professions have similar protection for their businesses and professions through either legislation or through licensing procedures.

I believe the family farmer and the independent livestock producer, who has his entire fortune tied up in this business enterprise, is as entitled to protection from outside interests as any other segment of our economy. I further believe that he must have this type of protection, if he is to survive and compete with other business enterprises and professions who already enjoy similar legislative protection.

Unless something is done the entire livestock feeding industry will continue to move through a transition period that, if allowed to continue unchecked, will see the elimination of thousands of independent livestock feeders and farmers. Their elimination will have drastic effects on the economy of the entire rural agricultural areas of the country.

I, therefore, strongly support this proposed legislation and urge this committee and the Agricultural Committee as a whole, as well as the Congress of the United States, to support and pass this resolution into law.

Thank you.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. In the second paragraph you state, "It is my observation that livestock fed and controlled by packers can and is being used to depress livestock prices." What do you have to back that up with?

Mr. LONG. My observations. This is one of these things we were discussing earlier. It is rather difficult to actually prove, but on the cases of the terminal market, for instance, in south St. Paul, in that market, on a given date, when the packer—particularly when a larger packer has in his possession sizable amounts of livestock to come in direct or into his feed lot, we don't know for sure where he gets it. We know it is available. He pulls it off the market entirely and depresses it by lack of competition; or he may come out on the market and be as much as 50 cents a hundred lower in his offering price than the competing packer or market at the time.

In our business, when you have a major source of buying power off the market on an unlimited basis, this has a depressing effect. We have observed this in both hogs and cattle. There isn't a real clear-cut pattern, but those of us in the business, and looking at the receipts and seeing the figures that are quoted by the U.S. Market and News Service, whenever we see a large number of directs—we call them this as compared to salables—we can usually predict with a great deal of accuracy what the figure of that particular packer will be on a given date.

Mr. CALLAN. You don't have any statistics to show us? You see this happening on the market each day?

Mr. LONG. Well, we tried to get some statistics in the testimony that I gave before the Food Commission, and we had to admit that they were rather inconclusive, because you can't say that every day the market declines is because of the fact the packers have this amount of livestock on hand, nor can you say that every day they do have a lot of livestock on hand, directs, that it necessarily depresses the market, because there are so many other factors. So to really pin it down and make a hard proving of this thing, it would be rather difficult. I would say observation and weighing factors on a day-to-day basis.

Mr. CALLAN. Thank you. That is all.

Mr. PURCELL. Mr. Greigg.

Mr. GREIGG. No questions.

Mr. PURCELL. Mr. Olson.

Mr. OLSON. Mr. Long, I appreciate your coming down here to this hearing to testify, and in relation to what we already have been discussing, you referred to them calling this livestock to the processor, to the processing plant. You just completed referring to the shipments coming in to the public yards that you hoped to identify.

Mr. LONG. Well, I think Mr. Rodeen touched upon this a little, but coming into South St. Paul, for instance—and I use this as an example, because I am more familiar with it than other points. When livestock comes in direct to a packer, it is delivered to the stockyards facilities, but not to the sales division. In other words, it is delivered directly to—in our case—Armour or Swift, the two big packers that are buying, as opposed to being delivered to the livestock-selling agencies that are on the market.

The direct packers are also called in. For instance, we have interior packers in Minnesota and Iowa, who have buyers on the market regularly. Knowing their given supply that they have available at their plant will indicate to us to some degree how aggressive they are going to be. For instance, on our market, for example, a packer at St. Cloud, Minn., whom we do a lot of business with, a sizable independent packer, who on occasion will get a deal on a grade or yield basis on a contract or from a contract or feed lot, and immediately his purchases on the terminal market drop off, and it becomes a non-competitive factor, and in this manner reduces the buying competition.

Mr. OLSON. I believe we are going to be able to, when we complete these hearings, to summarize. And perhaps I am premature in trying to even condense at this point any of the testimony, but, just in my observation, we get out in the directs, where we need not go, it seems to me, and we ought to stay at the central point. Now I am wondering if you would agree with me that the method of acquiring livestock by a packer, as through his purchase of livestock, if he doesn't control it? This may or may not be material, and we may not want to get into it. In other words, if he chooses to drive down the road and buy, that is his business; or if he wants to come up to the public yards and buy, that is his business. He controls his buying this way. Now you correct me, if I am wrong. Now do you feel that you have enough confidence, as did Mr. Rodeen of the Sioux City yards, to do a job and to get the people in?

Now what we are really concerned about is the fact that the market will be set by the packers in the business, to the extent that they can effect such a total supply of livestock.

Mr. LONG. Yes. I am not taking the position necessarily of being critical about the method of procurement that a packer uses in his purchases, at least not to you people, but to me, when I go to buy, and when he has been feeding them himself, he makes no procurements. He draws them from a feedlot and does not commit himself anywhere, locally or at other points. He creates competition any time he buys, regardless of where he buys. This is the point I think was made some time ago, and as long as he is out in the country buying, he is creating competition. As long as he is procuring livestock, he is creating competition. I don't necessarily agree with some of the ways they do it; however, we are not suggesting that you or the legislature should limit this type of activity, unless it could be proven that it is being used and manipulated to increase his trade.

Mr. OLSON. In other words, we are trying to get at the ability of these packers to restrain the trade, or the ability to affect the market. This is what we are really trying to deal with, and it is a central issue, and we find ourselves discussing some of the areas that are not directly associated with this; but it is your opinion that this legislation is necessary and will correct the abuse that you feel is apparent in controlling the supply, and thereby directly affecting the market?

Mr. LONG. Yes. And there is one other point I think I did emphasize here, and that is the fact we are concerned about what he does to the market with this feeding. That is another thing.

The other thing that I am vitally concerned about is the economic impact that he has on the independent livestock feeder who has to compete, because of the fact that he has a subsidy type of feedlot and he can set up a feeding operation with margins so narrow through the use of other resources, and other advantages that the smaller independent feeder is going to have difficulty being able to compete with him, other things being equal. This is the other point I wanted to make, the market effect and the effect on the production itself, the feeding operation.

Mr. OLSON. That is all.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. Just to follow that through. It would be an unfair type of competition, if a packer-feeder is able, as you said on page 2 of your statement, to subsidize his feeding operation and depress the market. This would be totally unfair to the family-size farmer. It is not a fair type of competition.

Mr. LONG. This is what I am suggesting is happening with many of these feeding operations. And from what I get from my contacts with some of these packer-feeding operations, this is not a success in itself. Some of these packer-feeding operations are not a success in themselves.

Mr. BANDSTRA. They told you that they have lost money on their feeding operations?

Mr. LONG. They sure did in 1964, but these fellows are still around and the independent farmer is gone. This is a real good example.

Mr. BANDSTRA. That would leave the only justification for it, the fact that they could affect the market downward and still survive.

Mr. LONG. That's right.

Mr. BANDSTRA. Thank you very much.

Mr. PURCELL. Are there any other questions? Thank you very much, Mr. Long.

Mr. LONG. Thank you.

Mr. PURCELL. Before I call Mr. Ruser and ask him to take the stand, I want to present to all of you, who may not know him, not only an honest and genuinely fine man, but a very distinguished Member of Congress—Mr. Neal Smith.

This is your district here; isn't it?

Mr. SMITH. Yes.

Mr. PURCELL. He ought to be introducing me instead of me introducing him. In case there are any of you here outside of this district, I do want you to meet one of the real champions of the American farmer, in my judgment. And, in my judgment, one of the most competent Congressmen of the 435 that are in Washington. Mr. Smith is not only on the Appropriations Committee, he is on the Agricultural Appropriations Subcommittee. I can certify to the fact that those of us on that Agriculture Committee go to Neal Smith for meaningful information, and no one can be more dedicated to his work, or more competent or more respected, than Mr. Smith. And, Mr. Smith, if you will stand up, in case there are any of you out here who are not from Iowa.

Mr. SMITH. Thank you. I just wish I had a tape of that.

Mr. PURCELL. At this time we will then call Mr. A. E. Ruser, if he is in the audience.

STATEMENT OF N. DALE RUSER, RUSER FEEDING CO., INC., RUSER VENICE FEEDLOTS, INC., OMAHA, NEBR.

Mr. RUSER. Mr. Chairman and members of the committee, I am Dale Ruser. My father, August Ruser, was to testify today. It seems he and my mother have their 73d and 70th birthdays, and they had made previous arrangements for him. So, if you will—

Mr. PURCELL. Would you pull that microphone down?

Mr. RUSER. Can you hear me now, sir?

Mr. PURCELL. Fine.

Mr. RUSER. Now as to our qualifications: My father started working at Omaha yards in 1911 in the traders division and became a partner in the firm in which he started in approximately 1930. He formed a new trading partnership with my brother and myself in 1947. For the past 15 years, until this year, 1966, he was president of the Omaha Livestock Traders Exchange, and for 2 years during this time he was president of the National Livestock Dealers Association. He started feeding cattle in 1929, and took us into the business in 1940. At the present the partnership operates two commercial feedlots with a total capacity of 17,000 head. We turn over a yearly turnover of approximately 35,000 to 40,000 head. Of this total approximately 40 percent are owned by the Rusers; approximately 30 percent are fed for various packers; and the balance of 30 percent are fed for ranchers and others associated with the livestock business. You will note that we feed only for those with an interest in some phase of the livestock industry.

THE LEGISLATION OF PACKER FEEDING

First, let me say that we are very happy and proud to be associated in a business that is as close to being a free enterprise as our fore-

fathers visualized and planned for in this country, a business where a man's word is his bond, and we are adequately controlled by the Packers and Stockyards Act, as it now stands.

As we see it, the big question here is not the legislation of packer feeding, but the implications of legislation to a free enterprise. We are born in and prosper on competition, and if we now legislate on this competition against one phase of our business, it will be soon that we will legislate against other phases of our business. To us, this smacks of dictatorship and socialism, and not free enterprise.

As we all know, the trend is toward integration in the red meat industry. Right or wrong, it is here to stay and any attempt to control one phase can only lead to an attempt to control all phases and complete governmental control of the red meat industry. We do not want this to happen, and we are certain our associates in the industry do not want this to happen.

Being human, we know that there are times in the livestock industry that we wish we didn't have competition from one source or another—the poultry, swine, and mutton producers; the rancher; the commercial feedlots; the farmer-feeder; the packers; the chainstores; and even our neighbors, among others. Are we going to attempt to control this healthy competition on which we thrive? Definitely we should not.

We in the red meat industry must strive basically for two things: first, a healthy, competitive, free enterprise, where all phases can earn a livable income without subsidization; and, second, a very important one, a product that the consumer—all consumers—can afford to purchase—meat, the best eating in the world. And we have the feed grains, the know-how, and the industry to do this.

Percentage-wise, the prices of red meats have not advanced as much as the prices of products of most other industries. How have we done this? By great strides forward in the operation of all phases of the industry, without the strings of unnecessary controls. Certainly, all of us have had to change some of our basic thinking and our operations and do some gambling to do this in these changing times. We are certain that we can continue to progress as an industry without any type of control on any or all phases of the industry.

In conclusion, just a word in defense of the packers, and this is as a part of the industry, not as ones who feed cattle for them, since we personally will continue to progress with or without their feeding business. Remember, they are a very integral part of our business, and if not the most important factor to the growth of the livestock industry, certainly near the top. They have spent millions on new plants, expansion, new methods, experimentation, and so forth, that have helped keep down the cost of production. The increase in feeding in the Southwest could not and would not have grown as it has without cooperation between packers and feeders. They spend more money in a week advertising the ranchers' and feeders' product than the ranchers and the feeders spend in a year. There is not all a bed of roses as attested to by the failures and the diversification into the chemical and other fields in order to show a profit for themselves and their stockholders.

We are a great industry. Let us not enact legislation that will in any manner discriminate against any phase of our operations, the greatest example of free enterprise in the world.

We thank you for this opportunity to testify.

Mr. PURCELL. Mr. Ruser, do you feel that the consent decree that the remaining four packers entered into is a good legitimate law, or should that be done away with also?

Mr. RUSER. We feel—especially the 18 months we went through—that it might have been a good idea if the packers could have retailed meat. It seemed to us, and maybe not rightfully so, but it seemed to us that the feeder, and even the packer, was taking the beating during these 18 months and the chains were receiving the benefits. It is hard to say. You make a law. You don't know how it is going to work 10 years from now. I know that if the packers could have competed with the chains, we would have probably bought meat cheaper across the counter—the housewife and the consumer. Whether the feeder would have received the benefit of this, it is hard to tell. It was a rough 18 months.

Mr. PURCELL. Now, is there any governmental enterprise connected with livestock that you think is worthy, or do you think they should just stop doing all of it?

Mr. RUSER. Would you repeat that, sir?

Mr. PURCELL. Is there any worthwhile activity that the Federal Government involves itself in regarding livestock or farming that you think is worthwhile, or do you just want to stop it all?

Mr. RUSER. No, sir. We do have good agencies. The stockyards division, I think, does a wonderful job of legislating. They keep us all on, shall we say, on the straight and narrow. We operate an industry that is a little different than most. There are very few contracts. We buy cattle, bid on cattle and that is basically our bond.

Mr. PURCELL. What does the packers and stockyards division do that you have anything to do with?

Mr. RUSER. They have, for example, at the Omaha yards—and I have been there for the last 25 years—have watched as far as collusion on the part of the stockyards. I know the regulations they have as far as the sale barns over the country.

Mr. PURCELL. Then the activity of the packers and stockyards is not smacking of dictatorship and socialism, and is not against free enterprise? The Government is all right?

Mr. RUSER. It is a—in other words—it is the policing organization in our operation.

Mr. PURCELL. How about the Post Office? Is that all right, I suppose?

Mr. RUSER. Yes, sir.

Mr. PURCELL. How about the effort that is made by the Department of Agriculture in the market news service? Is that service a worthwhile service?

Mr. RUSER. That is very good, and we make full use of that in our operation.

Mr. PURCELL. They do a pretty good job?

Mr. RUSER. A very good job.

Mr. PURCELL. So that is not smacking of dictatorship and socialism and is not against free enterprise?

Mr. RUSER. No, sir. It is not pointing the finger or discriminating against any segment of our industry. It is helping us.

Mr. PURCELL. So then I suppose it could be argued either way, but chances are the preponderance of the evidence would indicate having

had some kind of a government system the agricultural program has maybe made feed to the feeder a little bit cheaper? We could argue that. Now has this program also been a socialized program and smacking of dictatorship, too?

Mr. RUSER. Our personal opinion, and this is personally, we could do without some of the legislation as far as grains, and some of the agricultural products.

Mr. PURCELL. So we are sort of smacking of one or the other of these?

Mr. RUSER. We believe in free enterprise. This is what we think a person should be able to do—what he wishes to do, under our free enterprise system, with legitimate controls, as we have the Packers and Stockyards Act, and I know there are two sides to the question, whether we should have subsidies or not. I personally feel that we can get along without some of the subsidization that we have.

Mr. PURCELL. For instance, the feed grain program?

Mr. RUSER. Yes, I believe so.

Mr. PURCELL. The wheat program?

Mr. RUSER. I believe so.

Mr. PURCELL. How about these ranchers who lease this Government land for about 10 cents a section, or something like, 10 cents an acre? Is that a subsidy or is that good free enterprise?

Mr. RUSER. I happen to be on the school board and there is, I believe in Nebraska, where they are selling some of the school grounds, rather than leasing, as they have, on bids. Again there are two sides to the question. I do not know enough personally about that to answer that question. It is on bids, I know, and sometime somebody bids too high and there are other times when they bid too low. I personally am not qualified to answer that part.

Mr. PURCELL. How about government regulating beef imports? Is that socialism or free enterprise?

Mr. RUSER. I believe this came up, because during the 18 months the imports had increased. The people evidently felt that this was one of the causes—not the only cause, but one of the causes—that our beef market was so depressed. And we think it is only one of the causes. It got over, I believe, over 10 percent. We know we need foreign trade with a balance. I believe they came up with a fairly good program on the legislation of imports.

Mr. PURCELL. During all of that time several of us were on several study groups and did the best we could to be looking after the investments of the American rancher and beef producers, and I have made every hearing, every committee or every study group that they have ever had on the study of beef imports. I have never at one time heard anyone saying anything about any of the cattle coming out of Canada or Mexico. The best that I could figure out is that it was because some of our folks had some money in Canada and in Mexico, and it is not interfering if it is our money. It is just them “foreigners.” These Canadian cattle are coming in and the Mexican cattle are coming in and there are about 300 and 400—300,000 and 500,000 head a year coming in from Mexico, and I think about that many from Canada. Now is that interfering with our system? It may be that sometime in the future there will have to be a limit on the number, as far as the Mexican and Canadian cattle is concerned.

It used to be that the hoof-and-mouth disease for a period of years was quite prevalent and there weren't too many imports coming in.

Mr. RUSER. Yes.

Mr. PURCELL. Yes, but that has been over a long time.

Mr. RUSER. As of the last few years there have been numerous cattle imports.

Mr. PURCELL. About 10 years.

Mr. RUSER. And they also are increasing their herds down there. They are learning more about the industry, as they are all over the world.

Mr. PURCELL. But you are not complaining about that?

Mr. RUSER. At this minute, no. It has caused quite an effect on our business, because there is that much more beef tonnage in the end.

Mr. PURCELL. Can you tell me the difference between a pound of beef from Australia and a pound of beef from Mexico or Canada not having exactly the same effect on your beef?

Mr. RUSER. It does have the same effect. What percent, do you know, for my information, has been imported per poundage from Mexico and Canada?

Mr. PURCELL. I don't know what the percent is. It would be close to a million head a year, I think; maybe not that much.

Mr. RUSER. It is a very important factor, yes.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. Mr. Ruser, you feed for Armour & Co., do you not?

Mr. RUSER. Yes, sir; we do.

Mr. CALLAN. How many head do you feed a year?

Mr. RUSER. Approximately 6,000 cattle a year.

Mr. CALLAN. 6,000 head per year?

Mr. RUSER. Yes.

Mr. CALLAN. Yes. They buy the cattle and put them in your lot? Is that right?

Mr. RUSER. Yes, sir.

Mr. CALLAN. Do they furnish all the feed and you furnish the place and the labor?

Mr. RUSER. No, sir. We furnish the feed.

Mr. CALLAN. What is the rate of gain?

Mr. RUSER. We charge per head per day fed at costs; so much per head per day per the services.

Mr. CALLAN. How do you market these cattle? Do they call you up and say, "We want so many head of cattle loaded to take for market in the morning"?

Mr. RUSER. We of course are close to the market and they come out and do their own sorting.

Mr. CALLAN. They do their own sorting?

Mr. RUSER. Yes, sir.

Mr. CALLAN. They market about the same number of head every week?

Mr. RUSER. Well, it is 6,000 cattle and you divide that by 52 weeks. No, they don't, because they don't get them in continually. In other words, they don't market a hundred a week. Some weeks they market 200 and then the next week none, depending on when the cattle are fat.

Mr. CALLAN. Do they wait each time until the cattle of grade choice or prime or good are ready before they market them? Or do they market them when they need some cattle downtown?

Mr. RUSER. Basically, they set up their own program. If they think during a certain period they are going to need a good type of beef, such as a Holstein-type of meat, their program would be different than others, but basically they feed light cattle to the choice grade.

Mr. CALLAN. Light to choice grade?

Mr. RUSER. In other words, their trade is for this.

Mr. CALLAN. They market them at various times?

Mr. RUSER. Yes.

Mr. CALLAN. This week there may be 200 and next week none?

Mr. RUSER. That is right.

Mr. CALLAN. Do you know anything about the Cozad feedlot?

Mr. RUSER. Very little.

Mr. CALLAN. They feed a lot of cattle.

Mr. RUSER. I can't tell you the amount. I believe it is 5,000 to 6,000 that is their capacity.

Mr. CALLAN. At Cozad per year?

Mr. RUSER. 5,000 or 6,000 cattle at one time.

Mr. CALLAN. You feed 6,000 head for Armour & Co.?

Mr. RUSER. In round figures; yes.

Mr. CALLAN. Is that the complete turnover in a year?

Mr. RUSER. That is completely. At one time it is approximately 2,000. Today we had about 600 cattle.

Mr. CALLAN. You feed for any other packers?

Mr. RUSER. Yes; we do.

Mr. CALLAN. Who else do you feed for?

Mr. RUSER. We have fed cattle for Cudahy, for Iowa Beef Pack, for Rath. We have—I could go on all day. We have fed cattle at different times for numerous packers.

Mr. CALLAN. Let's say on any one Monday morning how many cattle will go out of your lot owned by packers down to Omaha stockyards or into the beef kill?

Mr. RUSER. In the last 3 weeks, very few. Let's say around a hundred to two hundred a week.

Mr. CALLAN. Total?

Mr. RUSER. Total.

Mr. CALLAN. For all the packers?

Mr. RUSER. Yes. Now you understand that we don't feed the year around for some of these people that I have mentioned. There are certain times during the year that we feed for some of them.

Mr. CALLAN. A hundred a week and there are 52 weeks—that is only 5,200 head. When are you feeding 25,000 to 40,000?

Mr. RUSER. A hundred to two hundred a week is about 30 percent of 35,000, which we are feeding the year for the packers.

Mr. CALLAN. So then you send—

Mr. RUSER. 10,000 to 12,000 a year, probably.

Mr. CALLAN. I am not quite following you. You say the yearly turnover is between 35,000 and 40,000 head?

Mr. RUSER. This is the total. Forty percent of those are cattle we feed for ourselves.

Mr. CALLAN. For yourselves.

Mr. RUSER. Approximately 30 percent are fed for various packers.

Mr. CALLAN. That is roughly 12,000.

Mr. RUSER. Yes, 10,000 to 12,000.

Mr. CALLAN. Now are there other commercial feed lots in and around the Omaha area that are feeding for packers?

Mr. RUSER. I believe there are.

Mr. CALLAN. Do you know some of these people in the business who are feeding?

Mr. RUSER. Yes.

Mr. CALLAN. About how many do you think they feed?

Mr. RUSER. This I could not answer. I know some of them are feeding for the packers and some of them are in partnership with the packers.

Mr. CALLAN. I see. Does Armour & Co. have feedlots of their own in Omaha, in the Omaha area?

Mr. RUSER. No, sir.

Mr. CALLAN. They go by contracts?

Mr. RUSER. At Cozad they do, and I believe these cattle do come to the Omaha market.

Mr. CALLAN. They never get to the market. They go right down to the plant, don't they? You never put them on the market, do you?

Mr. RUSER. There have been times that some of the packers have sold cattle on the open market.

Mr. CALLAN. Why would that be?

Mr. RUSER. Market conditions.

Mr. CALLAN. What do you mean by "market conditions"?

Mr. RUSER. Well, it may be that the beef market would happen to be lower the—the dress beef market might be lower than the live market. This might be minor, but there are times that they have been marketed on the Omaha market.

Mr. CALLAN. They didn't need them that day, so they put them on the market?

Mr. RUSER. They might not have been the type of cattle that they needed during a certain period. It probably was more beneficial, and this just has to be a guess. It would be more beneficial for them to sell the cattle on the open market than to kill them themselves.

Mr. CALLAN. Do you know what these cattle cost Armour & Co., when they go in the feedlots?

Mr. RUSER. I can only say that some I do know and that some I don't know. They would tell me, if I asked, because we are interested in profit and cost per pound of gain for our cost to feed. They would tell me, if I asked.

Mr. CALLAN. Does Armour & Co., make money off the cattle you are feeding in your feedlots, if they take them down and sell them on the market?

Mr. RUSER. If the cattle are purchased at a reasonable price and the selling market would be favorable, yes.

Mr. CALLAN. This would be true with anybody, but I mean year in and year out? Now Armour & Co., for whom you feed cattle, do they make money on this operation, if they would take them down on the Omaha market and sell them?

Mr. RUSER. We do, and I would suppose that they would.

Mr. CALLAN. You don't know for sure on that?

Mr. RUSER. This would be hard to say. We think we do a good job of purchasing and marketing, and I would suppose that they would have every bit of the ability, or as much of the ability that we do.

Mr. CALLAN. That's all I have.

Mr. PURCELL. Mr. Greigg.

Mr. GREIGG. Mr. Ruser, do you feel there is a healthy and wholesome competition between the packer who feeds and the individual farmer who feeds, at the present time?

Mr. RUSER. Yes; I believe so.

Mr. GREIGG. Mr. Ruser, are you a member of any farm organizations?

Mr. RUSER. We have been; yes.

Mr. GREIGG. What organizations are you affiliated with?

Mr. RUSER. Nebraska Livestock Feeders and Kansas Livestock Association.

Mr. GREIGG. Are you affiliated with any of the farm organizations that have testified here this morning?

Mr. RUSER. No, sir. Well, I wasn't here this morning.

Mr. GREIGG. The Farm Bureau? The Farmers Union?

Mr. RUSER. Not the Farm Bureau or the Farmers Union; no, sir.

Mr. GREIGG. Thank you.

Mr. PURCELL. Mr. Olson.

Mr. OLSON. Thank you, Mr. Chairman.

Just a few questions are all I have, and they will concern your operation to clear up a few points, and I would rather try to get a little clearer picture of your own operation. Mr. Callan kind of dwelt on your operation in which you feed for the packers, but I would like to talk to you about your principal operation.

Now your principal operation is your own, and that part of your operation would not be affected by this legislation, would it?

Mr. RUSER. Not this particular legislation; no.

Mr. OLSON. In regard to your own operation, what, generally, do you try to achieve? Now you state that the packing firms that you named chooses to buy cattle of a certain type and sell at, you think, choice, generally. Now do you try to follow this pattern, their pattern? Is this a pattern you recommend to them or do they have their own pattern or idea as to what is the best policy for them to follow?

Mr. RUSER. The policy is that they follow what is their own choice. They follow their own policy of their own choosing.

Mr. OLSON. Their own?

Mr. RUSER. We do what they want us to do. We may shift our policy during the year, from month to month, but basically we feed a chainstore type of cattle, as we personally feel that there is a broader market for this type of an animal. We have more competition from the buyers with this type of an animal. Because of the purchasing costs of the feeder animal, there are times we feed better quality cattle or poorer quality cattle, but basically I would say that 75 percent of the cattle we feed are chainstore type of cattle, top good and low choice.

Mr. OLSON. How long do you keep a steer on feed in your enterprise?

Mr. RUSER. The feeding period has increased in the last 5 years.

Mr. OLSON. It is greater?

Mr. RUSER. It is greater, the length of feeding time, because it seems the housewives, the consumers, prefer little better quality animals. Our records show that after the war for 5 to 10 years our average feed time was approximately 110 days. Our average feed time will now be

120 to 122 days. I think we are making our product a little better quality.

Mr. OLSON. So 120 days prior to the time of sale you can effectively determine what the market is going to want 120 days later?

Mr. RUSER. We try to. Yes, we try to.

Mr. OLSON. It is interesting that that could be done.

Mr. RUSER. We have been helped in this program because the chain-stores have purchased certain types of weight. We know the packers like to kill an animal weighing from 1,000 to 1,100 pounds. So our weight bracket is somewhat set for us, and the quality of meat the housewife wants.

Mr. OLSON. You seem to indicate then that you maintain a different approach than those for whom you feed the packer-fed stuff.

Mr. RUSER. Not necessarily.

Mr. OLSON. Not necessarily, but you necessarily don't attempt to maintain any correlating type of policy? You don't let their policy guide you?

Mr. RUSER. No, sir.

Mr. OLSON. Now answer just one final question to kind of disperse with the packer end here. Do they ever approach you with any requirements as far as how much money you can put in, or what kind of profit they think they ought to have? Or do they just hire you to feed cattle?

Mr. RUSER. As I have said, we have been in this business for quite a few years. My father has been on the Omaha market for over 50 years. Fortunately for my brother and I he is quite well respected, and we do have a very good reputation in the area.

Mr. OLSON. I didn't mean to cast any aspersions here.

Mr. RUSER. They request us to be financially able to take care of their cattle with adequate feeding pens and water, and so forth.

Mr. OLSON. They exclude you in determining whether or not they can make a profit in this in which they are engaged? I would think—I surely don't know as much about this business as you do. If I were in some business which was in some area that I was familiar with, I would want the individual carrying out the major portion of the responsibility to have an understanding with me. I would want to make sure that I make a profit, so I would try to be on a closer understanding with him, or have him on a closer understanding with me. Now I am sure they have checked into your reputation and into your ability and into your entire background financially. I am sure there is no question about that. But I am wondering, if—

Mr. RUSER. As far as putting up the money and the feed, and so forth, no; we bill weekly for our services to all of our customers. We feed 30 percent of our cattle for packers and ranchers. We feed 30 percent for the ranchers and I would say we feed another 30 percent for the packers.

Mr. OLSON. And you feed 40 percent for yourselves?

Mr. RUSER. Yes.

Mr. OLSON. All right. Now let's go to the question of how you market that 40 percent. Do you follow at all the wisdom that I suppose was apparent in how those who feed for market or market their cattle, or do you again disregard the operation and market your own cattle where you feel it is better?

Mr. RUSER. There are times we feel it is profitable for us to market cattle in a different manner, but approximately 75 percent of our cattle, 12,000 or 15,000 a year, are sold at the Omaha market, or some other market in the country. The other 25 percent is sold to packers, and we sell them in different manners to packers. We have sold them on grade and yield; we have sold them direct so much a pound right out of the pen; we have sold them right at the packinghouse. There are times when it would benefit us to pick one or the other, rather than to change our method.

Mr. OLSON. Let's say, for illustration, for my own information, to try to determine how you might react, let's say that you are feeding 5,000 head for Armour and you had 5,000 head of your own, and, incidentally, they had both been about the same grade, and they had entered into your lot at the same time, and they were, therefore, I assume, subject to the same practice on your part in regard to feeding and being ready for market at the same time.

Let us say that Armour chose to sell those or take their's in directly to their slaughterhouse. What would you do with your 5,000, if they were very similar?

Mr. RUSER. I would say that we would probably ship one load of them to St. Joe, a load to St. Joe, a load to Omaha, and we would probably sell Armour a load, if there were 5,000 cattle, enough cattle to play with to find out with the first load which would be the most beneficial to us.

Mr. OLSON. I see.

Mr. RUSER. We would take the whole thing into consideration, the selling costs, the commission, and the trucking, and everything else into consideration, and tomorrow morning we would have the exact figures as to which load of cattle brought us the most amount of dollars per hundred.

Mr. OLSON. And the remaining cattle would go there?

Mr. RUSER. Not necessarily, because the market might shift later in the week. The interior packer might be crying for beef and we might sell some to Mr. Bookey here in Des Moines, if he needed them badly.

Mr. OLSON. Would he pay you better than what you might get elsewhere?

Mr. RUSER. He might give me a quarter on a hundred more than I might get someplace else. This changes every day. We try to keep in close contact with this for ourselves and for our rancher feeders.

Mr. OLSON. It would be tremendously informative for us, if you would at some time be able to furnish that, if it were convenient for you to do so, to furnish an illustration as to where cattle did follow, in other words, where the packer had chosen absolutely the right thing to do and had received the greatest return.

Mr. RUSER. You mean where the feeder had done this?

Mr. OLSON. Yes. If the two followed, so the accusation is made they are driving prices down that particular day.

Mr. RUSER. I suppose this happens.

Mr. OLSON. And, if they did, I suppose an independent feeder wouldn't put his cattle in the market that day, if he could avoid it.

Mr. RUSER. This could happen.

Mr. OLSON. So it would be necessary to see this?

Mr. RUSER. We, in purchasing our feeder cattle, try to pick the opportune time to buy. We try to find a depressed market in time to buy. We try to find a depressed market in time to buy our feeder cattle. It is a good, honest, legitimate business.

Mr. CALLAN. Would you yield on one question?

Mr. OLSON. Yes.

Mr. CALLAN. Did you say it would happen or it could happen that the packer put cattle on the market to drive the price down?

Mr. RUSER. I don't believe he at any one time could have enough cattle, enough fat cattle in his total picture to do this. One individual may hedge today's operation by some fat cattle he has.

Mr. CALLAN. By not buying as many cattle that day?

Mr. RUSER. He might kill some of his own cattle. He might have to give just as much for somebody else's but we all have a profit motive.

Mr. CALLAN. Right. This is true, but the question was, Do you think that a packer, if he had cattle out there in your feedlot, and he thought the price was going to be pretty high or the supply running short in Omaha, do you think he would use cattle in his plant and start to kill, so he wouldn't have to buy cattle at this higher price?

Mr. RUSER. If the run is going to be short, he most certainly would. He is committed to his help to kill so many hours, so if he ends up with three-fourths enough cattle, it would benefit him to kill some of his own livestock.

Mr. CALLAN. So what you are saying here is that if he had enough cattle out here feeding he could, in effect, have some control over the market in Omaha on that day, couldn't he, because he wouldn't have to go out on the market and buy that many; is that right?

Mr. RUSER. Possibly in a small way, yes.

Mr. CALLAN. Twenty-five cents a hundred?

Mr. RUSER. Yes.

Mr. CALLAN. In other words, Armour & Co.—if enough cattle were on the Omaha market, by putting enough cattle into their plant they could influence the price of fat cattle in Omaha by maybe 25 cents a hundred?

Mr. RUSER. It is quite possible.

Mr. CALLAN. That's all. Thank you.

Mr. OLSON. I don't want to pursue this any further. I appreciate the exchange we had.

Mr. RUSER. Yes, sir.

Mr. OLSON. And I guess it is a legitimate concern of freedom and free enterprise, and being able to pursue or follow our pursuit, as we so choose. And the thought strikes me, there might be 10 to 1, the ratio, against the position you have taken. It might be severely outnumbered, some of the positions you have taken.

Mr. RUSER. We feel if they legislate against one phase of the business, there will be a time that somebody will want legislation against my business, a commercial feed lot. We are just small in comparison to some of these that feed 50,000 to 100,000 cattle. Somebody might want legislation where the ranchers must feed their own cattle.

Mr. OLSON. I have nothing further.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. Very briefly, in line with what Mr. Olson was talking about, the truth of the matter really is, Mr. Ruser, that some legislation comes about as the result of a bad condition for example, the Packers and Stockyards Act itself, to which you pay high tribute, and which you say does not smack of dictatorship and socialism—this grew out of the conditions that existed in the packing industry prior to 1920, and which resulted in the packer consent decree.

I think, if you don't want legislation of your industry—and I certainly don't think that you do—the thing to do is to moderate your activities at this time. This is your best guarantee of avoiding what you call socialism and totalitarianism, rather than waiting until conditions get so bad that you have to do something and do it in a hurry. If you do that, you are in real danger. Do you agree with that?

Mr. RUSER. This is quite possible.

Mr. BANDSTRA. Don't you think it is true?

Mr. RUSER. Integration has taken place in many phases of the business. Nobody complains about the oil company who merchandises their oil. I am not talking about the packer. We are going to make a success no matter how this goes. This is our personal feeling. We have done an awful good job in our industry. We have the price—we have kept the price down to the housewife. I think we can still continue to do this.

Mr. BANDSTRA. I would agree with that; you have certainly done that all right. But you certainly kept prices down for the farmer very well, also.

Mr. RUSER. Yes.

Mr. BANDSTRA. If you want to take credit for that or not, you did do that. I don't know if you do or if you don't, but we will have it in the record, anyway. You see, sir, the only thing that I am getting at is you used some words in here that I agree with. We need a healthy, competitive, free enterprise in all phases and a livable income without subsidy. The witness just preceding you said the packer subsidizes his feeding operation. You ought to be opposed to packer feeding, if what he said was correct. He said the packer is subsidizing the feeding operation by depressing the market. He said they are being subsidized. Therefore, if you want a healthy, free, competitive free enterprise, you wouldn't want to do that because he says it will lead toward a monopoly. Now all I am getting at is we are looking toward the same thing. We want a healthy, free, competitive free-enterprise system. You want to do it by saying, "Close your eyes and it will go away." This just doesn't work. I think it might be better to put the brakes on it now, so we do have a healthy, competitive free-enterprise system.

Mr. RUSER. We mean subsidization as far as Government goes.

Mr. BANDSTRA. What difference does that make? Does it make any difference as long as it is a subsidy?

Mr. RUSER. We subsidize our feeding business by running cattle on the grass. So I suppose we are infringing on the grassman.

Mr. BANDSTRA. The point gets down to this: Whether or not it is fair competition. We are all for competition. This is exactly what

I am trying to maintain and keep in the competitive system. And if it will always be that way, well and good, but if it is an unfair competition, and if you let competition run wild, you end up with monopoly.

Mr. RUSER. We have the Sherman Act to watch for monopolistic operations.

Mr. BANDSTRA. That is correct, and the Sherman antitrust law guards against this type of a condition.

Mr. RUSER. This is correct.

Mr. BANDSTRA. This is how this type of thing comes about, because of conditions we have created. Because the condition arose the Sherman antitrust law came into being. Something had to be done.

Mr. RUSER. That is correct.

Mr. BANDSTRA. I have nothing further. Thank you.

Mr. PURCELL. Neal Smith.

Mr. SMITH. Do you buy the feeders you feed for the packers or do they buy them themselves?

Mr. RUSER. We are also order buyers and there are times, in the minority, when we have bought cattle for the packers, yes, sir.

Mr. SMITH. But this is not a regular thing?

Mr. RUSER. This would be a smaller part of our order-buying industry, yes, our buying end of the business.

Mr. SMITH. Thank you.

Mr. PURCELL. Thank you, very much. I don't believe there are any further questions.

Mr. RUSER. Thank you for this opportunity.

Mr. PURCELL. Ladies and gentlemen, we are going to take a 15-minute recess. We have five witnesses yet to be heard today. We will start 15 minutes from now.

(And at this time a 15-minute recess was had, and thereafter the proceedings were reconvened.)

Mr. PURCELL. The committee will please come to order. We call Mr. Vic Tomka.

Are you Vic Tomka?

STATEMENT OF VIC TOMKA, SECRETARY-TREASURER, CARROLL COUNTY BEEF PRODUCERS ASSOCIATION

Mr. TOMKA. Yes, sir; I am. I am Vic Tomka and I am the secretary-treasurer of the Carroll County Beef Producers Association.

This is the largest county organization of beef producers in the Midwest. Now our president, Mr. Robert Schweers, is here, and he will read our testimony to you.

We have 15 of our cattle feeders that are here with us, and they would like to answer any questions you fellows might have in your minds of why you should have this bill or a bill similar to this bill.

I give you Mr. Robert Schweers.

STATEMENT OF ROBERT SCHWEERS, PRESIDENT, CARROLL COUNTY BEEF PRODUCERS ASSOCIATION

Mr. SCHWEERS. Gentlemen, we, the Carroll County Beef Producers, are opposed to packers feeding cattle. We think it would have an adverse effect on the market for our farm feeders.

We can all hear the daily receipts early in the morning. With a short supply of cattle the packers would go to their own lots for their slaughter needs. Thus there would be less buyers at the market, and it would turn out that there would be less demand for cattle for the seller. On a heavy run of cattle, the packers could buy at their own price for slaughter, and buy cattle without enough finish to put in their own lots for later use.

Most feeders have had the following happening: A buyer will come to his place to buy cattle and the price will not suit the feeder. A day or so later the buyer will come back and offer a better price, if delivered the next day. This would appear that they need the cattle on that day. This would not happen if they had their own lots, and the feeder did not know how many cattle the packers had ready to process.

The packer will know more about the supply of beef on the farm than the farmer will know about the packers' supply of live cattle.

Our county feeds approximately 70,000 head of cattle per year. The packer could feed this many and more in a single operation with many grades and weights of cattle in different pens. Our county's cattle would become a surplus on the market.

The packer says that he will help the grain market in these areas where his lots are located, but after the local feeders have been forced to quit feeding cattle, the packer will be able to buy grain at his price. Also the packer might decide that there is a profit in raising his own corn. Then, with his capital available, he can start buying grain-producing land.

Another major factor with packers feeding cattle would be the increased competition for feeder cattle, thus raising the price of feeder cattle for a farm producer. Here again the packer would be increasing the costs of feeders until the local feeders would be forced to quit, and then he would be buying his feeder cattle at his own price.

We think that in the long run, consumers will be paying more for their meat in the supermarkets because of the less competitive atmosphere in the meat industry from the beginning of the feeding period through the processing of the meats for the consumer.

The next step could be that the packer would own his own trunklines to haul his own cattle from ranch to lots to packing plants.

Because of the depressing effect it would have on the total economy of the Carroll County area, including local truckers, feed dealers, elevators, and loaning agencies, again we say, we, the Carroll County Beef Producers, are opposed to packers feeding cattle, and are in accord with the bill H.R. 12115.

Thank you, very much.

Mr. PURCELL. Are there any questions at this time?

Mr. BANDSTRA. No, but I would like to thank these gentlemen for their interest in this bill, and for their statement.

At this time, if I could, I would like to ask unanimous consent that Congressman John R. Hansen, Representative for Carroll County, be permitted to insert a statement he has made at this point in the record.

Mr. PURCELL. Without objection it may be inserted into the record at this point.

Mr. BANDSTRA. And also I would like to insert a statement handed me this morning on behalf of Mr. M. J. Hankins. I would like to insert that into the record at this point, also, if I may.

Mr. PURCELL. Without objection that will also be inserted into the record.

Now, are there any questions by anyone of these two gentlemen up here, Mr. Schweers and Mr. Tomka?

Mr. BANDSTRA. Mr. Congressman Hansen represents Carroll County as well as other counties.

Mr. PURCELL. If there are no questions of these gentlemen, thank you, very much, gentlemen.

Mr. SCHWEERS. Thank you.

Mr. PURCELL. You will see that the statements which Mr. Bandstra has offered at this time are inserted into the record at this point.

STATEMENT OF HON. JOHN R. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. Chairman and Members of the Committee, I appreciate the opportunity to present this testimony to the Subcommittee on Livestock and Feed Grains of the House Committee on Agriculture. We are concerning ourselves with a problem that has ramifications that go far beyond the immediate effect of rigging the prices paid for a few head of beef cattle in a localized market.

Congress has been rightly concerned with monopoly ever since the passage of the Sherman Antitrust Law in 1870. Time after time we have had to amend our statutes to protect the public from a restraint in trade. Today we are talking about taking preventive action. If an ounce of prevention is worth a pound of cure, then we should, by all means, expend that ounce of prevention.

H.R. 12115 is designed to protect the small feeder farmers from the larger commercial feeder who through their sheer volume tends to control the market. I feel this is a necessary move on the part of Congress.

As a member of the Banking and Currency Committee of the House of Representatives, I have been made aware of some of the more subtle ramifications of this trend towards large commercial operations. It is my sincere belief that if this group of large packer-feeder operators are permitted to continue unabated in their growth, it will be detrimental to economic strength of the State of Iowa. This will create a far-reaching effect that will shake the foundations of rural community life.

The banking industry of Iowa has a great stake in the continuation of private initiative in the cattle feeding business in the State of Iowa.

Most Iowa banks gain a considerable amount of their income from the financing of livestock feeding operations. This has been carried on successfully through the years by individual farmers in and around the many fine rural communities that exist in our State.

The ability of our banks and bankers to satisfactorily serve the communities depends to a great extent on the continuity of a well-balanced market for their services. If packer operators are permitted to expand in the livestock feeding field, they will freeze out the individual operators. This will cause the demise of many of our fine banks and a further stagnation and erosion of individual communities throughout rural Iowa.

It is my sincere belief that measures must be taken to protect the individual operators from the unfair and advantageous marketing position which is held by the large operators who have carefully programed themselves into this business. Along with protecting the individual operator the continued existence of the fine social structure that exists in rural America will also be protected. The value of the contributions of our rural communities in supplying the nation with human resources has been fully recorded elsewhere.

A continuation of the present trend towards bigness could be disastrous to both banks and communities in rural America.

I am certain this committee will study the factors involved in considering H.R. 12115, and will produce a bill that will maintain fairness without sacrificing the economic and social values of rural America.

STATEMENT OF M. J. HANKINS, FARMER AND CATTLE FEEDER, OF STANTON, NEBR.

My name is M. J. Hankins. My business is farming and feeding cattle at Stanton, Nebraska. My purpose in appearing here today is to give my support to the Bandstra Amendment to stop cattle feeding by packers. The word packer in this report includes chain stores that process beef.

The same economic forces are in effect today that forced the cattle man to sell his cattle at fire sale prices during the bleak years of 1963 and 1964. Most feeders and ranchers have not made back the money they lost during this period. The passage of the Bandstra Amendment would aid in preventing the return of similar conditions in the future. The average price of fat steers in Omaha last week was \$26.95. Parity price is \$32.40. Thus, the price of steers still lacks \$5.45 per hundred of returning to parity.

The only logical reason packers feed cattle is to bypass and sabotage our open competitive marketing system. One reason they do this is to fight off monopolistic chain store buying practices that have held the packers to about the same margin, per pound of beef processed, since 1949. Results are coming fast. The Denver Market recently announced that it will close down except to sell cattle at auction one day per week. Other markets are feeling the squeeze. It is estimated by authoritative sources that forty to fifty per cent of the cattle in Colorado are fed under various systems of packer control.

The king size capacity of farmer-feeder and independent feedlots across the country can fatten out enough of any rate or grade of cattle to meet any type of packer or chain store demand.

During 1964 packers fed a total of 1,052,000 cattle or 6.2 per cent of all cattle fed that year in the United States according to USDA figures. This includes only cattle voluntarily shown on packer reports. Actual numbers would be much greater because this does not include cattle fed under various systems of packer control as mentioned in the Bandstra Amendment. This huge volume of beef is used to depress prices paid for cattle offered for sale by family sized farmer-feeders.

Packer feeding is, therefore, one of the key tools used in forcing an ever widening "feed lot to consumer" price spread. This price spread affects the consumer as much as it does the cattleman. The rancher or producer of feeder cattle is bottom man on the totem pole and has to absorb the full force and effect of this ever widening price spread since he cannot pass it on to any one else.

This price spread increased at such a phenomenal rate since 1949 that it has attracted national attention, and has become the most important problem facing our cattle industry. As a result of this price spread the entire cattle industry was brought to the brink of disaster during 1963 and 1964. Long time well established cattle ranchers and feeders lost hundreds of millions of dollars in lifetime savings and in business equities. During this period millions of cattle sold at giveaway prices when most other segments of the economy were operating under very favorable conditions. Personal incomes and employment were at an all time high. The demand for and consumption of beef reached a new all time record, and the housewife was paying a very good price for beef. Beef consumption in the United States has doubled since 1949.

I have three charts that clearly show how the "feed lot to consumer" price spread has skyrocketed since 1949.

CHART NO. 1

This chart shows the packer price spread. The most striking aspect of this chart is that the packer gross price spread has remained quite constant since 1949. It would seem that the chain stores have forced the packer to absorb all rising costs over the past 16 years. They have put the packer on an allowance of about three and a half cents per pound of meat processed. This same price spread is enforced regardless of how low the average packer buys his cattle. If cattle runs are large on the terminal markets on any given date, and the average packer is able to buy his cattle at lower prices, he has accomplished nothing, because as a usual practice the wholesale price of beef will be moved down accordingly the same day. The wholesale beef trade seems to follow how cheaply the packers can buy their cattle. The retail price seems to be set at a price as high as the house wife will pay and still move a given volume of beef.

CHART NO. 2

This chart shows the retail or chain store price spread. This "wholesale to retail" chart shows that the chain store spread jumped \$5.84 per hundred pounds of carcass weight from 1949 to 1964. This figures to \$40.88 on a 700 pound carcass.

Nebraska fed 2,441,000 cattle in 1964. At \$40.88 per head this totals to about 100 million dollars. This is how much more the chains charged us to handle our beef from the packer to the housewife in 1964 than at the 1949 rate. This would equal about 500,000 steers at \$200 per head. This would form a column of steers walking two abreast for 500 miles across the full length of Nebraska with ten feet allotted for each two steers. This represents how many more steers the chain stores took away from the Nebraska cattleman to handle his beef in 1964 than at the 1949 rate. One hundred million dollars would build 20 super markets in each of fifty Nebraska towns with each store costing \$100,000,000.

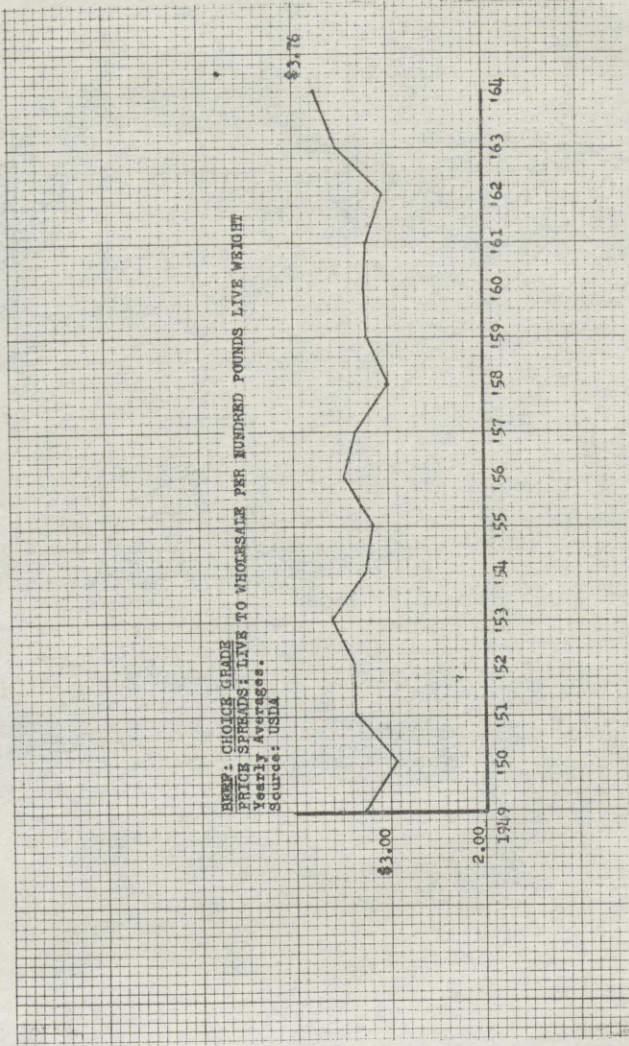
CHART NO. 3

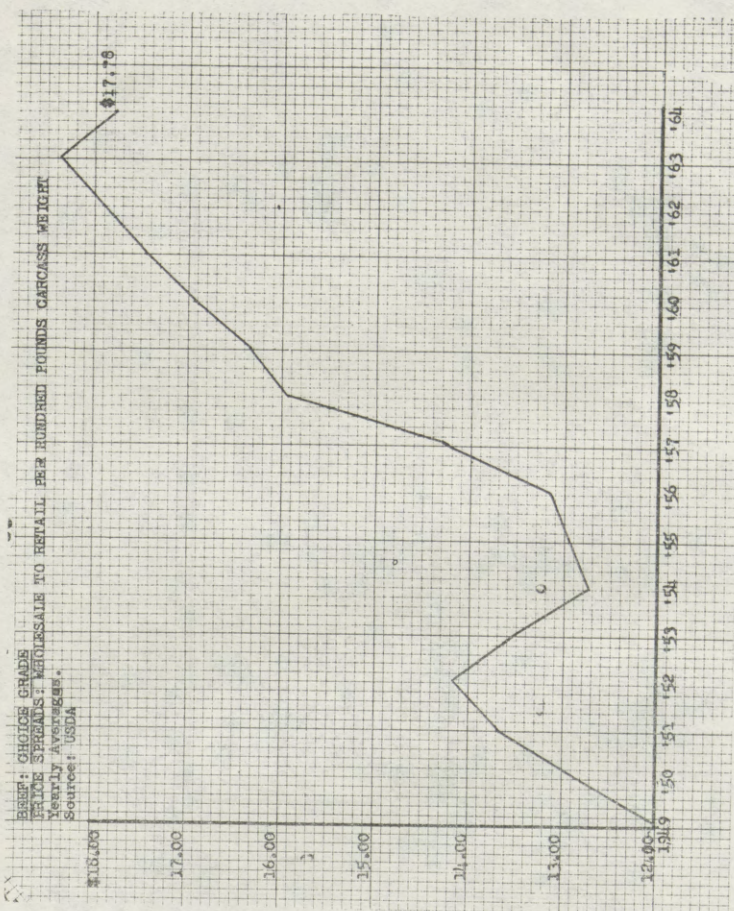
This chart shows the ever decreasing share of the housewife's beef dollar that is received by the cattleman.

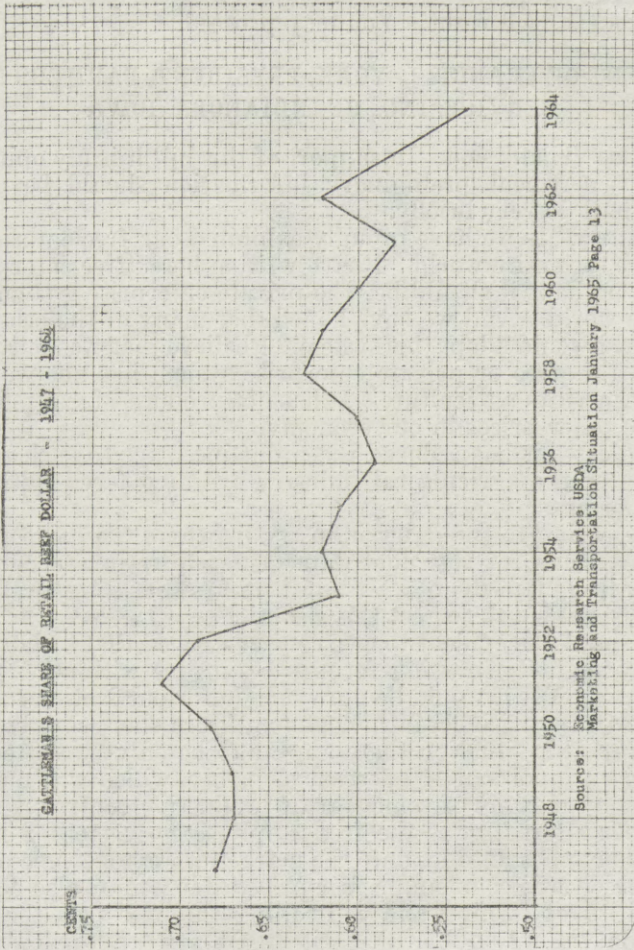
In conclusion, I would like to again urge the passage of the Bandstra Amendment, with provisions included to take the packers and chain stores completely out of all phases of ownership or control of live cattle, except for immediate slaughter purposes. The word immediate to mean not over seven days. In doing this, I know I have the firm support of nearly all of our many thousands of family sized farmer-feeders in Nebraska. We are not requesting Government handouts or subsidies of any kind. All we are asking for is a free open competitive market for our cattle with the Government acting as the referee.

"Let's save the family sized farmer-feeder and rancher and all the small town businesses that depend upon him for their livelihood. Let's give the cattleman and the housewife a break by squeezing the water out of the ever increasing "farm to consumer" price spread. Let's demand a lot more efficiency in our beef distribution system."

(Charts No. 1, 2, and 3, a part of the foregoing statement, follow:)







Mr. PURCELL. Mr. Francis York, president of the Farmers Marketing, Inc. Mr. York, you may come forward at this time. Do you have copies of your statement?

Mr. YORK. Yes, sir.

Mr. PURCELL. All right. You may proceed.

STATEMENT OF FRANCIS L. YORK, PRESIDENT, FARMERS MARKET SERVICE, INC., OF INDIANOLA, IOWA

Mr. YORK. Thank you. In support of this bill it is my opinion that some very pertinent preliminary information should be discussed which I shall do very briefly.

For many years we have proudly exhibited our free enterprise system before the entire world. I have written here "free enterprise system," but perhaps it should be "the private enterprise system" before the entire world. And we have hoped that many of the other people in the world would adopt this system. I believe that was our purpose. However, this free or private enterprise system has not worked too well for American agriculture. It has not produced farm prices comparable to other prices in our economy.

In some cases it has reduced the profit incentive to such an extent that parts of the agricultural industry are now faced with serious supply shortages.

I am referring to the dairy industry in which there are presently few replacements for the older dairymen who retire, succumb to ill health, or just plain die off. It now appears that some drastic steps will soon be needed to correct this situation.

It now should be evident to everyone concerned that a short supply is the only method of raising farm prices in line with other prices in our economy. Yet it would be pure suicide for our Nation to attempt to make progress with all farm commodities in short supply.

To correct this situation there appear to be only two alternatives. One is price supports at 100 percent of parity, which will require the acceptance by farmers of some sort of production controls.

The other alternative is the free-supply-scarcity method in which producers must learn to let onto the market at any one time only that amount which will command a fair price. They must also accept the responsibility of owning and controlling the excess or the reserve. This method is not as difficult as it might first appear. It worked wonders for the cattle industry during 1965, when cattle feeders reduced the total tonnage of beef going to market by reducing marketing weights. This procedure maintained the breeding herd which is the reserve in the livestock industry. This same procedure will work equally as well for hogs and sheep.

For grains and oil seeds the free supply scarcity method requires maximum farmer controlled storage at harvest time. From then on it is merely a matter of marketing a small portion of the crop at any one time. Any excess at the end of the year must be retained by the producer. By investing part of his capital in this reserve he will protect the price of his entire crop.

In my opinion, passage of the bill is absolutely necessary. Producers cannot be expected to maintain a breeding herd of sufficient size to insure adequate meat supplies if others are able to control the livestock

prices. It is estimated that packers and chainstores are presently feeding over 3 percent of the total supply of cattle. Should they feed the major portion of these cattle to prime grade, which is generally accepted as the price-setting grade, their leverage over the market would be terrific. If allowed to continue and expand, this practice will remove the profit incentive and will further destroy our free or private enterprise system.

I am certain that before this bill becomes law someone will attempt to brand it as the protectionist approach for the individual producer. It is merely protection for the free enterprise or private enterprise system we so proudly exhibit before the entire world.

In conclusion, I would like to say that the time has arrived when the consumer can no longer expect cheap food at the expense of the agricultural industry.

Now I would like to emphasize two points. In the meat industry the only reserve that we have is the breeding herd. We have maybe 300 or 400 pounds in cold storage, which wouldn't last but a few days. The breeding herd is the reserve. We have got to maintain this profit incentive in order to keep the individual out there to maintain this breeding herd.

I am sure that most of you know the recent blizzard in Montana and the Dakotas, and I would ask this question: However many people, hired people that is, would have went out like these people went out to protect their livestock in this blizzard? Not many. You have to have the private individual with their profit incentive before he is going to go out in a blizzard, risking his neck, to protect his livestock.

I would like to emphasize one other point. Everyone is clamoring for cheap food, and we can see the result of that going back to the dairy industry. We have had cheap dairy products in relation to wages in a good many years. What has happened? We have driven every young man out of the dairy industry. Now we are facing a shortage. As I have said before, we are going to have to take some drastic steps, in my opinion, before too long, before we are again producing enough milk. And the same thing could happen in the livestock industry. In fact, it did happen in the hog-producing industry. The profit incentive was out of hog producing for so long that many farmers just gave up and quit raising hogs. Many of them just gave up their farrowing pens and tools for raising hogs and went to town and got themselves a job in a nice clean office.

We must keep this profit incentive before the individual producer. We must protect it for him, if we are going to protect our food supplies.

Thank you.

Mr. PURCELL. Thank you, Mr. York. Are there any questions?

Mr. BANDSTRA. No questions, no, sir; other than to thank Mr. York for his statement. I see that he is from the Fourth Congressional District. I am glad to have you here.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. You touched quite extensively or pointed out quite well that this could go beyond just the feeding of livestock. I believe you stated it could effect more than just what we are immediately focusing our attention on. What would happen if the packers did take over the whole business? Would there be a reduction in implements that

would be significant? What would be the end result? We say we are going to forestall a bad thing from happening. Let's just go all the way here, just for one quick moment, and say that it happens. What do you view the end result to be?

Mr. YORK. You mean if the packer went all the way and took over the prouction, the feeder calf and all?

Mr. OLSON. Yes.

Mr. YORK. I would say that at sometime when the conditions were bad, such as the blizzard we had, that those people who were working for a wage out there would say, "To heck with this. I will find something better somewhere in a warmer climate," and a lot of livestock would die. Many people do not realize the care that it takes for the young livestock, until you get them started, especially in weather conditions like that. And if you do not have the individual who has his own money in that livestock they are not going to be as concerned as you are. The hired help does not take the interest as does the individual who has his own money invested. I can see the time when, through lack of labor—and this is one thing where agriculture differs from these other industries. You can manufacture automobiles, and you can concentrate it all in one town, as long as you have got the buildings, and the labor there, and the capital. In agriculture you have land, labor, and capital. The land is scattered from one corner of the country to the other. You cannot concentrate this. You have got to put men out there. You have got to do one or two things. You have got to let them own it or try to own it, or you have to hire somebody to put it out there. And I am sure most people realize when you hire people and scatter them all over creation that the consequences are going to be less than favorable. And I can see, if that happened, I could see a time when we would have so many livestock losses that we would see the worst shortage of meat we have ever seen in our lives.

Mr. OLSON. Just before we get to that shortage, sir, you are in fact saying, are you not, that the hired hand may not put up with some of the low wages that are now very often prevalent for the farm family or individual operator?

Mr. YORK. That is right. Now we have a great many farmers who go out and drive a tractor 18 hours a day, and we have livestock people who work 18 to 20 hours a day during certain times of the year when the livestock, the young animals, are coming into the world. I can see very few hired people, especially when you get on a large scale with less supervision, I can see very few people putting up with this situation. They are going to throw up their hands and say, "I can find something to do much easier than this."

Mr. OLSON. Is it your view that at the present time there is no bar to the integration in this area because of labor shortage? In other words, it is a fact now that it is going on; is that not right?

Mr. YORK. That is right. I am certain it is.

Mr. OLSON. And if it is going on, there apparently is no labor shortage at this time to assist it, is that right?

Mr. YORK. This would be correct.

Mr. OLSON. Do you believe there ever would be?

Mr. YORK. I could see the time when there would be. If, for instance, today, if this war should expand, it would take much more man-

power. I believe I heard a report just the other day over the radio from Des Moines that in the State of Iowa there is a need for 326 year-round hired hands right now. This time of the year, normally, these year-round hired hands have long ago been hired in this part of the country. Usually this work was done in the first part of March in Iowa when they would have their help hired. Here we are even ready to plant.

Mr. OLSON. The help they need is in agriculture?

Mr. YORK. Yes.

Mr. OLSON. The average age of the farmer is coming up, or the young sons are not taking over?

Mr. YORK. That is right.

Mr. OLSON. Why is this?

Mr. YORK. Well, in my opinion, of course, there has been the glamour of the city. This has always been present for the young person, but young people being raised on the farm like to have hopes of owning something of their own, and having their own farm. This is about out of the picture today on account of the high costs of getting started, and the small chance of ever getting it paid for.

Mr. OLSON. In the final analysis, the prospects are brighter in another labor market than they are in the labor market out here on the family farm.

Mr. YORK. Very definitely so.

Mr. OLSON. Maybe that is something that should be well remembered in this whole discussion then.

Mr. YORK. This is correct. A person who goes into town here and gets a job is pretty well assured of 5 days a week, Saturday and Sunday off, and if he goes out on a farm and finds himself a year-round job, he can be sure, pretty sure, of working 6 days a week.

Mr. OLSON. Let me ask you then, just to conclude this, you say a farmer goes out once in awhile and works 18 hours a day. He goes out in the snowstorms. He is disregarding the hours. He just puts them in. Now the vertical integrator is not now having this problem, maybe, but, going a little farther, if this was vertical integration with the farming, might there not be a problem in finding the labor that will put up with the working conditions that are not equal to 5 days a week, 40 hours a week, or 10 hours a day, or whatever you want?

Mr. YORK. This is right. As long as he is feeding cattle in lots labor is not too big a problem then, but otherwise it might be.

Mr. OLSON. Might this be unfair competition to the family farmer at this time?

Mr. YORK. The concentrating by the packers and feeders?

Mr. OLSON. And the assistance given him by the labor conditions that he has, that the family farmer shouldn't be expected to put up with himself, but actually he finds his efforts duplicated over here for no pride of ownership or anything else. He just finds that they are there. Do you think this is a competitive factor to the family farmer?

Mr. YORK. Yes; I certainly think so.

Mr. OLSON. That's all.

Mr. PURCELL. Mr. Greigg?

Mr. GREIGG. Mr. York, I compliment you for a very clear and well-stated position. Thank you.

Mr. PURCELL. Are there any other questions? All right. Thank you very much.

Mr. YORK. Thank you, gentlemen.

Mr. PURCELL. At this time I call Mr. Elton L. Berck, president of the Nebraska Farmers Union, of Omaha, Nebr.

STATEMENT OF ELTON L. BERCK, PRESIDENT, FARMERS EDUCATIONAL & COOPERATIVE, STATE UNION OF NEBRASKA, INC.

Mr. BERCK. Mr. Chairman and members of the committee; we appreciate the opportunity extended to us for having your committee come to the Midwest here and for your committee trying to get the positions or the feelings of the farm people, the farm producers, concerning what we consider to be a very important piece of legislation.

On behalf of the Farmers Educational & Cooperative State Union of Nebraska, Inc., we present the following testimony concerning H.R. 12115, a bill introduced by the Honorable Bert Bandstra, of Iowa, to curb or prohibit large-scale feeding of livestock by meat-packing firms.

Our organization of family farmers and livestock producers, which shall be referred to in the balance of our testimony as the Nebraska Farmers Union, has devoted a major effort throughout its 53 years of corporate existence toward the improvement of farm income.

Since a heavy percentage of Nebraska farm income is derived from the sale of livestock and livestock products, our organization was motivated from the very earliest years, 1918 and thereabouts, to establish livestock marketing commissions at the key river terminal markets. These commissions have provided a marketing service for member and nonmember alike, which has done much to establish yardstick costs for such operations that have helped to keep such costs within reasonable limits for the entire industry.

For years we have spoken repeatedly against slaughter procurement practices which have tended to destroy the establishment of fair market prices at the terminal livestock markets.

It has been, and will continue to be, a losing battle without the adoption of some regulatory measures which strike at the root of the problem.

As evidence that the members of our Farmers Union of Nebraska believe that new Federal regulatory actions are needed along the lines proposed by H.R. 12115, we submit the following resolution which was adopted unanimously by delegates at our most recent State convention, which was held in Lincoln, Nebr., on February 23 and 24 of this year.

Resolved, That the Farmers Union go on record as urging the United States Congress to pass laws prohibiting packers from establishing their own feeding operations or contract feeding in order to influence or control the market.

In another action at the same 1966 delegate convention of Nebraska Farmers Union, the following, broader, statement of policy regarding livestock slaughter and feeding was adopted, also without dissenting vote:

We request legislation to bring large distributors of food products, such as chain stores, under the intent of the regulation to prevent packers from being in retail distribution and to prohibit such businesses from producing their own

supplies and so tend to control the public market price. We favor continued close inspection of marketing practices and packaging to protect livestock and meat products, as well as other marketing of agricultural products. We request action to enforce the identification of imported meat to the ultimate consumer by identification at the meat counter, and also include the percentage of non-meat products in all processed meats.

Adoption of these resolutions by the members of one of Nebraska's major family farm producer organizations should present to the members of your honorable committee solid evidence that these farm producers believe that the practice of livestock feeding by packers and food chains is detrimental to the operations of a livestock price system based on supply and demand, and does, in fact, represent a giant step in the direction of livestock market manipulation and monopoly control by packers and chainstores.

I might add that at three of your district meetings this spring, which have been conducted all the way from large ranch areas in the Southwest to feeding areas in the Southeast, there was passed a resolution identical to the one passed at the State convention.

It should be self evident that meatpackers, which have a ready supply of livestock to meet their slaughter needs, either under their control through contractual arrangement or outright ownership, have in their hands the tools with which to depress terminal livestock market prices at any time that suits their purpose.

If at any given date the livestock supply-demand factors provide a favorable cost-price ratio to the farm family livestock producer and feeder, meatpackers, which have in their own feed lots supplies of fed livestock from which to draw, have it within their power to create an artificial price depressant situation, since they are able to avoid purchase of slaughter needs on the open market thereby lessening demand and lowering offered price.

Such practices by meatpackers also negate any meaningful effort by the livestock industry to tailor supplies of fed livestock to market needs.

The livestock producer generally—and this is as an individual—is not in a position to profit from periodic glut and shortage situations whereas meatpackers are, in that their vast cold storage facilities enable them to fill such facilities at the lower price level against the day when prices will advance.

We do, however, wish to call the attention of your honorable committee to the fact that while we support in principle this legislation which will limit or curtail the vertical integration of livestock production and meatpacking by nonfarm groups, we do have certain reservations concerning the specific language of this bill. We call your attention to that portion of section 202A, paragraph (a), in which reference is made to volume of gross sales as a measurement of law violation. If packer feeding of livestock is to be judged as unlawful and detrimental to the livestock industry would the packer whose gross sales were under \$1 million be any less guilty than the one who had \$1,100,000 of annual sales?

I believe they spoke at this particular point and suggested that perhaps a judgment based upon the number of head slaughtered, or something like that, might be a better measure than the bill.

Then we also have a question concerning the effect of such a proposal, if enacted into law, upon the joining together of farm pro-

ducers to form a cooperative, vertically integrated livestock operation in which they could pool finances, feeding programs, and slaughter plants.

The Congress has given evidence through passage of favorable legislation, such as the Capper-Volstead Act, that it is the intent of Congress to encourage bona fide farm producers to pool their efforts in such cooperative actions as will serve to increase farmer bargaining power and enhance farm income.

We insist that no statutory roadblock should be thrown up to prevent cooperative action by farm producers themselves toward integration of feeding and packing operations, which would enable them to obtain a larger share of the consumers' meat dollar.

Packer and chainstore feeding of cattle experienced a 100-percent increase in the 8-year period from 1956 to 1964, according to statistical reports made by the Packer and Stockyards Division of the U.S. Department of Agriculture. The same reports indicate that the number fed by packers and chainstores in 1964—1,052,000 head—represented 6.5 percent of the total number of fed cattle marketed in that year. We submit that this is a significant factor in view of the fact that comparatively small numbers of fed cattle marketed at the will of packers and with the intent to depress market prices at any given time can indeed be the dominant factor in preventing farm livestock producers from sharing in the benefits of what might otherwise be a higher market price for their product.

In summary, H.R. 12115 attempts to prevent the use of livestock feeding operations by nonfarm interests, meatpackers, and so forth, in an effort to depress livestock prices. With this principle we can agree.

For on the one hand you have a monopolistic action by nonfarm industry, which has the effect of depressing the prices paid to livestock producers; and on the other hand you have a situation under which farm producers engage in legitimate cooperative efforts to enlarge the farmers' share of the processed product and enhance farm income.

We believe, however, that H.R. 12115 should be amended so as to embody the provisions and changes we have herein mentioned.

Gentlemen, we thank you for your attention.

Mr. PURCELL. Thank you, very much. Mr. Callan?

Mr. CALLAN. I would just like to compliment you, Elton, and say that it is nice to see you over in Iowa. I will probably see you back in Nebraska one of these days.

Mr. PURCELL. Mr. Greigg?

Mr. GREIGG. No questions.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. No questions.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. No, sir. I am pleased to have the suggestions, and I might only comment that I am very much aware of the fact that there are many ways to skin a cat, and I don't have any particular preference for any one way. Perhaps you could use a limitation of a hundred head of cattle, instead of saying \$1 million. I don't know what would be causing any trouble there. You have to draw a line somewhere, like anything else. This does include, with the present formula, 98 percent of all packer-fed cattle, and I assume no one wants

to outlaw the locker plants. We have a number of them left in this State who butcher for the community. We don't want to go down that low, but I do recognize the difficulty in drawing the line, and I appreciate your comments.

Mr. PURCELL. Mr. Redlin?

Mr. REDLIN. No questions.

Mr. PURCELL. Do any of the rest of you gentlemen have any questions? I have no questions. Thank you, very much, sir.

Mr. BERCK. Thank you, gentlemen.

Mr. PURCELL. We now call Senator Bass Van Gilst.

Go right ahead, Senator. We are very glad to have you, and we appreciate your taking your time to come here and to appear before us.

STATEMENT OF HON. BASS VAN GILST, IOWA STATE SENATOR, REPRESENTING KEOKUK AND MAHASKA COUNTIES, IOWA

Mr. VAN GILST. Mr. Chairman and members of the Livestock and Feed Grains Subcommittee of the U.S. House of Representatives, I appreciate very much this opportunity to appear before you today and express my feeling about the bill that has been introduced by Congressman Bert Bandstra of the Fourth Congressional District of Iowa, relative to the feeding of livestock by packing firms.

I believe very strongly in the free enterprise system in America, and I am very much in favor of retaining this principle in the field of agriculture. I believe strongly that we must maintain free and open markets in the marketing of livestock, and if this legislation will prevent manipulation of the free and open market by big packing firms, and chainstores, who are engaged in packing operations, then I am in favor of it.

Most of the farmers in Iowa have watched with great alarm what has developed in the broiler industry in the United States.

The two counties that I am privileged to represent in the Iowa Senate, being Keokuk and Mahaska Counties, are two of the major livestock producing counties in Iowa. It is vital to the farmers and merchants in these two counties that our economy remain strong, and one of the vital areas of our economy is our livestock feeding operations.

I am very much opposed to any trend which would permit the livestock packers of this State, or in this area, to dictate to the farmers of this State what the price of their livestock shall bring, by the use of artificial means, and manipulating the market by using their own livestock as a means for accomplishing this end.

On behalf of the people in this area I represent in this State, I want to express my appreciation to the members of this subcommittee for coming to the State of Iowa to hear our views on this important piece of legislation that is pending before the U.S. House of Representatives.

I thank you.

Mr. PURCELL. Thank you, very much, Senator.

Mr. Callan?

Mr. CALLAN. No questions.

Mr. PURCELL. Mr. Greigg?

Mr. GREIGG. No questions.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. No questions.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. I have no question, sir, but I would like to say, Bass, it is good to have you here, and we appreciate your interest.

I was following you very closely, and when you got down to this one statement here, and which was conditional, and you stated, "then I am in favor of it," I thought maybe you had some question about it.

Mr. VAN GILST. I am not familiar enough with the bill and the details of it. I think the intent of the bill is what I want. However, if this is not—if it will not do this, then I wouldn't be in favor of it. I think this is what it will do, and this is my personal opinion.

Mr. BANDSTRA. I agree with you and I can assure you that the purpose of it is to maintain a free, open, competitive market, and also our family-sized competitive farming operation.

I appreciate your coming before us and giving us your opinion of it. Thank you, very much. I have no questions.

Mr. VAN GILST. Thank you.

Mr. PURCELL. Mr. Redlin?

Mr. REDLIN. No questions.

Mr. PURCELL. Thank you, very much, Senator. I have no questions.

Mr. VAN GILST. Thank you, gentlemen.

Mr. PURCELL. I understand that Senator John Kibbie is also here. We will be glad to hear from Senator Kibbie, if you would like to come forward and make a statement, sir.

STATEMENT OF HON. JOHN P. KIBBIE, IOWA STATE SENATOR, REPRESENTING PALO ALTO COUNTY, IOWA

Mr. KIBBIE. We are happy to have you here in our statehouse. As a member of the legislature for four sessions, as a member of this house and the other body, and as a member of the Palo Alto County Beef Producers Association, who has been at three or four meetings with regard to this subject, I was very glad to hear this morning the State organizations taking the attitude of wholeheartedly endorsing this type of legislation, but I did not like to hear them say, "We would like to take a wait-and-see attitude." To me, when the chicken is ready for the frying pan, that is the time to butcher him, and sometimes history has proved that it depends a lot on pride of authorship with respect to some of the pieces of legislation on whether we are in favor of them or whether we are not, in my experience, and I have seen years when associations and organizations wouldn't be for a particular piece of legislation, but a year later they would be, because it might have a different author.

We have heard out in the country that packers' feedlots will employ about as many people that would be feeding the cattle if they were fed on a family farm. I think that we all know that this is false, due to the automation. We also hear a lot about the free-enterprise system. We have heard a lot about cheap feed over the years. It is a proven factor that cheap feed does not provide good livestock practices, and I think many of our large feeding setups would like to buy their feed as cheap as possible. I am sure that the family farmers would like to feed dollar and a half corn, or higher to beef and pork, because in the end this will bring a better price for their livestock.

As was mentioned before here today, the average age of the Iowa farmer is 56, 57 years old. I think that the farm credit for young

people to start farming or get into the feeding business is very inadequate. As an example, a young man—and I call myself young—can buy a home in a city for approximately 5 percent down. For that same young man to purchase an 80-acre farm to start a feeding operation, even to buy the land itself, he would have to have approximately 30 to 50 percent down.

Now within the last few years in Iowa we have seen six or seven new packing companies start up out in the rural areas of this State. With the exception of one that I know of, they have all made money. When your stock doubles and triples and pays off dividends, this is a sign of profit.

Today the consumers are buying more food, as you people well know, for dollars earned, than they ever did in history.

To me livestock prices have gone up, recently, and they are at a fair price today, but the reason we are hearing a lot about the high price of meat is because the consumer, in my opinion, practically stole this meat for many, many years.

As comparison, in this same chamber, about 2 months ago, when we had some safety hearings in this State in regard to safety legislation, as far as automobiles are concerned—and I would like to make this comparison today—I understand we don't have any of the major packers here to testify. That day we didn't have any of the car manufacturers here to testify, but the reason I think these hearings are good is that it brings out to light these matters. And since that date you fellows in Congress, those in the safety field, know there has been a lot of discussion on this.

So I think, even if they are not here to testify, the major packers, that a lot of good will come of these hearings.

Now I feed approximately 200 head of cattle a year and I market them about 4 different times a year, 50 head at a time, I would say, without exception.

Now I have sold livestock in the central public market and I have sold them directly to packer buyers. Now without exception they mention to you in your conversation what the terminal market did that particular day or that particular week. So even though the terminal market may only market 30 percent of the livestock marketed, the buyers out in the country use the terminal market for their guide for buying cattle.

If you go to sell your cattle on Thursday or Friday it is generally the price that was set at the Monday market. The Monday market, in most cases, establishes the base for the week.

If you can get an oversupply on Monday this will call for a down price on Monday and it may establish the price during the week. If there is a short supply on Monday generally it will be a good trend during the week.

Now if the packers can feed enough cattle to flood the market on Monday this is going to control the market for the rest of the week, in my opinion.

Now I think these hearings are very good, and to me what is good for the goose is good for the gander.

As a farmer I don't want anything to do with the packing business or processing business. I want to make a legitimate income and a legitimate profit as a feeder.

I think that we, as farmers, and to me the rank and file out in the country, are for this particular piece of legislation or a similar piece.

That is all I have, gentlemen, and thank you a lot.

Mr. PURCELL. Thank you, very much. Are there any questions?
Mr. Schmidhauser.

Mr. SCHMIDHAUSER. I would like to compliment Senator Kibbie on his careful preparation of his statement, and I think his reference to the auto safety hearings that were held here was very good. I believe the State of Iowa can be very proud that we were one of the two States that actually got the ball rolling on this.

I think this is very much in point in connection with this current legislation and I certainly hoped that the major packers and the chain-store people would exhibit enough interest in the legitimate concern that the family farmer and consumers have in this matter to take part in these proceedings, because we are trying to construct sound legislation here, and I think that a very good point was raised by the senator.

Mr. PURCELL. Mr. Greigg.

Mr. GREIGG. Mr. Chairman, I would just like to say that I am real pleased to represent the district that Senator Kibbie resides in. And, Jack, I want to thank you for the contribution that you made here this afternoon. It has been fine.

Mr. KIBBIE. Thank you, Stan.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. No questions.

Mr. PURCELL. Are there any other questions?

Thank you very much, Senator.

Mr. Jim Buline, of Lone Star, Iowa, you may come forward and give your testimony.

I have just been accused that when I said "Lone Star" that I was thinking of Texas. Mr. Buline is from Lone Tree, Iowa.

STATEMENT OF JAMES BULINE, A GENERAL LIVESTOCK AND GRAIN FARMER, FROM LONE TREE, IOWA

Mr. BULINE. Mr. Chairman and distinguished members of the House Livestock and Feed Grains Subcommittee.

I come before you as a general livestock and grain farmer from southeast Iowa near Iowa City. I regard this privilege to express my personal views as a great American heritage just as I regard the feeding of livestock by the packing industry and chainstores as a threat to another basic American heritage, the individual enterprise system of the farmer.

Since the beginning of American history, agriculture in the image of the individual farmer has been a dominant factor in the new wealth it has created and thereby contributed immensely to the sound growth of our Nation.

Agriculture in America has been first in the form of the pilgrim who landed at Plymouth Rock to the hearty and first pioneer who forged westward and settled the vast areas of the Midwest and Plains States, and the far reaches of the Pacific Northwest. It was also the individual farmer who contributed so immensely to the cause of peace preservation in times of war and strife during the early nineteen hundreds and again near midcentury when the American farmer's contribution

to the cause helped frame the immortal words of the World War II slogan of "Food will win the war and write the peace."

It is with this knowledge of the American farmer's contribution to our society, to our Nation, and to the world that has placed it, in the estimation of learned minds, as first and foremost in the growth of our Nation from its infancy to its present day unparalleled stature.

It is readily conceivable, then, why the individual farmer resents the movement by the packing industry and chainstores to livestock feeding in this country. This infringement upon private enterprise by large corporations, to a degree, parallels the monopolistic practices of the trusts which plagued our Nation early in the 20th century.

And if I might divert from the printed copy at this time, I would like to read one paragraph and insert it into the record.

This is the "Livestock and Meat Situation" from the Economic Research Service of the U.S. Department of Agriculture, March 1966. If I may I would like to read this one paragraph:

Even though fed beef supplies are expected to be up moderately this spring, nonfed steer and nonfed heifer beef production is likely to average well below year-earlier levels this winter and spring, and for the entire year. Packer buyers likely will not be able to compete with cattle feeders as effectively as last spring for young steers and heifers. In late February, good feeder steers, weighing 550 to 750 pounds, at Kansas City averaged \$26.18 per 100 pounds. This was less than \$1 below the price of choice slaughter steers at the same market.

And to give you my interpretation, gentlemen, of this paragraph, it has been pointed out and is quite evident by the U.S. Department of Agriculture that the packer will not be likely to compete as effectively from the standpoint that the market price for feeders is, within \$1 of the fat cattle market. Depending on what one wants to believe then, that perhaps when the market for feeder cattle is lower, much lower than the dress trade, then they will go into the market by upping their supply and using it then as I will interpret in the rest of my testimony.

Livestock feeding by packing companies and chainstores is of grave concern to farmers, regardless of their geographical locations. Even the small, family-type cattle feeder in New Jersey is at a financial loss if he sells his production the day the Midwest processor obtains part of his plant's day's "kill" from his own livestock feeding yards rather than bid competitively and induce more production to his plant, and, as a matter of past practice, establishes the market for the whole industry on a lower price pattern, resulting in a likewise lower price for the livestock feeder in New Jersey or my own State of Iowa.

Perhaps some would think the cattle feeder in Iowa need feel no concern about the number of cattle being few in this State by the processing companies. In 1964, 14 $\frac{1}{10}$ percent of the State's total cattle and calves were fed by or for meatpackers. This hardly compares with the 19 $\frac{3}{10}$ percent of the total cattle production of the State of California which were fed by or for the packers. And, incidentally, I do not have it at my fingertips, but I will make it a matter of record, but this is from the Packers and Stockyards Résumé that this was accumulated from, and I will make it available for your possession.

In comparison to this fact, Iowa sheep feeders have real reason to be greatly concerned about livestock feeding practices of the industry, the packing industry. In 1964 Iowa led the Nation in percent of

States' total sheep production with 21 percent fed by or for meat-packers. This is also from the Packers and Stockyards Résumé. This is, for the record, Packers and Stockyards Résumé, USDA, November 26, 1965, volume III, number II, that these were taken from.

With just these two statistics on percent of States' total production fed by processors, one can readily understand the impact such practices have on prices received by the producer.

Too often farmers are faced with so-called surplus situations and likewise receive a lesser price for their fed cattle in the marketplace. This was the case in 1964. This same year $3\frac{4}{10}$ percent of all cattle slaughtered commercially were fed by the meatpacking industry.

And if I might add, as pointed out earlier today in testimony by some, this does not include subsidiaries of some commercial firms and paid personnel. This is why the $3\frac{4}{10}$ percent is not indicative of the total amount fed for or by the packing industry. It is somewhat higher than that, considerably.

It is reasonable to assume that when 1 or 2 percent "overproduction" exists this could be maintained indefinitely by withdrawing a portion of the $3\frac{4}{10}$ percent of all cattle slaughtered, which were fed by the packers themselves, and used as a club to beat down farmers' prices.

If 1 or 2 percent overproduction would depress livestock prices to the farmer, one can understand the impact of $3\frac{4}{10}$ percent of the total supply when controlled by the same interests who farmers have allowed to establish prices for them through the years.

Gentlemen, I don't feel we can afford, as citizens, to let this movement deteriorate American livestock feeding by individual farmers. We have seen the broiler industry, in just the last few years, pass from the hands of the individual farmer to the integrated industry it is today. How could we afford to let this happen to the largest segment of agriculture—livestock feeding?

Today the U.S. citizen is ever increasingly concerned about his food-budget dollar. If the cost-of-living index goes up due to increased food prices, the public clamor is to reduce it, even though a smaller portion of the wage earner's spendable income goes for food today than 5 years ago.

If the packing industry can maintain their own feed lots for fattening livestock, and thereby economically force individual farmer feeders out of the industry, they will not only control the feeding, but likewise the pricing of like production. That will be the day the U.S. consumer will definitely be concerned about his food-budget dollar.

In closing, gentlemen, it has been my earnest intent to express my views in regard to the packing industry engaging in feeding practices and the resulting implications on individual farmers and consumers.

It has also been my intent to convey to you the need of legislation, H.R. 12115, by Congressman Bert Bandstra, of Iowa, to preserve that phase of our economy—agriculture—which has contributed so gallantly to growth and prosperity of our Nation.

With this thought in mind, I wish to express my gratitude for this privilege to come before you.

Thank you, very much.

Mr. PURCELL. Thank you, very much, sir. Are there any questions of this witness?

Mr. Schmidhauser?

Mr. SCHMIDHAUSER. I would like to take this occasion, Mr. Chairman, to thank Mr. Buline, who is a good friend as well as a good neighbor in Johnson County. I tell the members of the committee that he exemplifies his work on the farm with the same dedication that he has shown here today, and he represents the kind of a family-type farm that is certainly worthy of our efforts.

Mr. PURCELL. Thank you, sir. If there are no other questions, I would also like to thank you at this time.

Mr. BULINE. Thank you, gentlemen.

Mr. PURCELL. Ladies and gentlemen, this concludes the list of witnesses for today. I am going to ask the members of the committee to remain intact. This does conclude this hearing for today, and let me express my appreciation for the good caliber of statements that have been made today, and the good attitude of all of you. We all appreciate it.

The committee will reconvene in the morning at 9 o'clock. The committee does now stand at recess until 9 o'clock tomorrow morning.

(The subcommittee hearing was recessed at 5:05 p.m. to reconvene at 9 a.m., April 22, 1966.)

Mr. Perkins: Thank you very much, sir. Are there any questions of this nature?

Mr. Schindler: Yes.

Mr. Schindler: I would like to take this occasion, Mr. Chairman, to thank Mr. Perkins for a good friend as well as a good neighbor in Johnson County. I tell the members of the committee that he exemplifies his work on the farm with the same dedication that he shows here today, and he represents the kind of a family type that is certainly worthy of our efforts.

Mr. Perkins: Thank you, sir. If there are no other questions, I would like to thank you at this time.

Mr. Perkins: Thank you, gentlemen.

Mr. Perkins: Ladies and gentlemen, this committee, the first of witnesses for today. I am going to ask the members of the committee to remain seated. This does not include this hearing today, but for the express my appreciation for the good rather of statements that have been made today, and the good attitude of all of you. We will appreciate it.

The committee will reconvene in the morning at 9 o'clock. The committee does now stand at recess until 9 o'clock tomorrow morning. (The subcommittee hearing was recessed at 3:05 p.m. to reconvene at 9 a.m. April 22, 1933.)

PROHIBIT FEEDING OF LIVESTOCK BY CERTAIN PACKERS

FRIDAY, APRIL 22, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Capital Building, Des Moines, Iowa.

The subcommittee met, pursuant to adjournment, at 9. a.m., in the chambers of the House of Representatives, Capitol Building, Des Moines, Iowa, the Honorable Alec G. Olson (acting chairman of the subcommittee) presiding.

Present: Representatives Olson, Callan, Bandstra, Redlin, and Greigg.

Also present: Representatives Schmidhauser, Schisler, and Smith.

Fowler C. West, staff assistant of House Committee on Agriculture.

Mr. OLSON. We are a little past the announced hour of beginning, gentlemen, so the committee will come to order.

Ladies and gentlemen, as announced yesterday we are going to try to finish the schedule of witnesses, and we will see as the morning proceeds if that is possible to do by very early afternoon, without a break.

I imagine you were all present yesterday. I would just like to briefly present the members of the committee that are here, for review.

Mr. Callan on my far right; Mr. Greigg, Mr. Redlin; I am Mr. Olson, and Mr. Schisler is with the members of the committee this morning, and Mr. John Schmidhauser. Those are the members of the committee who are present, with the exception of Mr. Schisler and Mr. Schmidhauser who are not members of the committee but who are very interested in this subject. We have one other member of the committee who is not with us yet this morning but who will be present, and that is Mr. Bandstra, whom I am sure you all know, of course.

Now we have scheduled for the first witness Warren C. Overman. He is representing, as I understand it, The Rivers Market Group and the Chicago Livestock Exchange.

We will hear from him at this time.

Mr. OVERMAN. You have changed the ground rules since I was here the last time.

Mr. OLSON. You mean the format?

Mr. OVERMAN. Yes. We were realigned yesterday.

Mr. OLSON. Yes; that is quite correct. We hope this is more convenient.

Mr. OVERMAN. Do you want me to use the microphone?

Mr. OLSON. If you speak toward the microphone I am sure everyone will be able to hear it.

STATEMENT OF WARREN C. OVERMAN, THE RIVER MARKETS GROUP

Mr. OVERMAN. The River Markets Group is an association of the seven main terminal livestock markets, Chicago, Kansas City, Omaha, Sioux City, Sioux Falls, St. Joseph, and St. Louis. The group's purpose is to further the causes of these markets which belong to the livestock producers of the United States and to protect all the interests of the producer.

I might add here the seven river markets handle 7 million cattle a year.

Of intense concern to us are the declining farm population, the declining number of family farms, and the decline in the number of all species of livestock on farms and ranches in 1965. We feel certain that the feeding of livestock by packers and chainstores has been a major contribution to this decline.

At a time when food is becoming more and more critical to human welfare and world politics, this Nation should be making every effort to increase food production. The distinct possibility of a food shortage in this country by 1980 has been advanced and we need every producer.

Of immediate concern to producer and market people alike is the effect of packer and chainstore feeding on the price structure of the live product. Livestock is fed by processors and retailers primarily to affect prices to their advantage. There was 1,052,000 cattle fed by packers and chains in 1964, and they represented 65/10 percent of all steers and heifers fed that year. Comparing this figure with the 897,486 fed cattle marketed through Sioux City, the third largest terminal in the country in 1964, we would be naive indeed not to realize the bearing this had on the national price of fed cattle.

The concentration of these numbers in the hands of the buyers is most detrimental to the free, open, and competitive market system. The decline in the number of farms—20 percent from 1959 to 1966 and 3 percent from 1964 to 1965—surely is no coincidence with the increase in packer feeding.

Packers and chains readily admit to being in business for the sole purpose of profit; what better way to insure this profit than the maintenance of a backlog of supply to prevent the necessity of competition on an open market for the available supply.

We strongly favor passage of the Bandstra bill, H.R. 12115.

That, gentlemen, is a statement of the River Markets Group. I might say River Markets voted unanimously to give the Bandstra bill all of its support.

Mr. OLSON. Thank you, Mr. Overman. You now have a statement on behalf of the Chicago Livestock Exchange, I believe.

Mr. OVERMAN. I do. In the interest of saving time, I believe there is very little we can add verbally.

We on the Chicago Livestock Exchange, we are close to a 150 men selling this livestock on the Chicago market—Chicago Livestock Exchange. Pardon me. And we all thoroughly endorse the River Markets stand.

I will submit the statement which I have given to you on behalf of the Chicago Livestock Exchange. You all have a copy of it.

Mr. OLSON. Thank you, sir.

STATEMENT OF THE CHICAGO LIVESTOCK EXCHANGE

The Chicago Live Stock Exchange is comprised of close to 150 men actively engaged in the selling of livestock as agents of livestock producers at Chicago's open and competitive central market.

Admittedly, we foresee a declining need for our professional services if feeding of livestock were to be dominated by packers and retail chain stores engaged in meatpacking operation, since our farmer-feeder clients would no longer be in business to use our services.

However, there are other reasons that we rue the possibility of packers and retail chain stores taking over livestock feeding. Mainly, these reasons are wrapped up in the thought just expressed—that farmer-feeders would be eliminated as independent businessmen in the feeding of livestock.

At this moment, this possibility may seem distant and remote. But witness the fact that just ten years ago, only five percent of the broilers in this country were produced in vertically-integrated operations under the sponsorship of feed companies. Recent reports indicate that ninety-five percent of the country's broilers are now produced in vertically-integrated operations.

There is debate concerning the world foods needs in the coming years. Some are calling for all-out production; others say that the problem of producing food is not yet critical. However, there is ample evidence that the number of farmers is declining and there is general agreement that the numbers of farmers will continue to decline.

Regardless of the debate concerning world feed needs, there is general agreement that skilled farmers are needed to provide food. It is our opinion that any large increase in feeding of livestock by packers and chain stores will further discourage independent farmer-feeders from continuing in business and jeopardize the food production capacities of this nation.

We recognize the situation we have just cited will not occur overnight. But even in the interim period, feeding of livestock by packers and chain stores would have a detrimental effect on farmer-feeders.

With an ample supply of livestock in its own feed lots, any given packer can avoid bidding in competitive fashion for the products of the farmer-feeder. An enlargement of this practice by more packers would greatly diminish the outlet for livestock and consequently reduce prices to the farmer-feeder.

Now, we in the livestock industry have enjoyed relative freedom from encumbrances by federal legislation. And we cherish the freedom of the American free enterprise system.

At the same time, we recognize that the general benefit of the livestock industry and in particular farmer-feeders could be harmed by a freedom that would allow one phase of business to consume another phase of business.

It is because of the foregoing reasons that we stand opposed to feeding of livestock by packers and retail chain stores.

THE CHICAGO LIVE STOCK EXCHANGE,
H. N. HOLGATE, *President*.

Mr. OLSON. Thank you, very much, Mr. Overman. And we are very pleased with your statement and your presenting it. We would like to ask you to answer any question the members might have.

Are there any questions? Mr. Callan.

Mr. CALLAN. I have one question, Mr. Overman. On page 2 of your statement which you didn't read, you say:

With an ample supply of livestock in its own feed lots, any given packer can avoid bidding in competitive fashion for the products of the farmer-feeder. An enlargement of this practice by more packers would greatly diminish the outlet for livestock and consequently reduce prices to the farmer-feeder.

You are saying on a day of heavy run in Sioux City or Omaha the packer moves its own cattle in slaughter plants and thereby doesn't have to go out and bid on the market that day. What would this do to the market?

Mr. OVERMAN. In the first place he is not only restricted to do this on the heavy run. A packer maintaining a good feedlot supply, he is going to have his cattle the same way any cattle producer is. This

takes a certain amount of his demand off the market on the day of his heavy run or any other day he cares to choose.

Mr. CALLAN. Do you believe this is happening now?

Mr. OVERMAN. I know it is happening now.

Mr. CALLAN. You know it is happening now?

Mr. OVERMAN. Yes.

Mr. CALLAN. And your fear is if it increases more it will have a more depressing effect than it does right now; is that correct?

Mr. OVERMAN. Yes, sir.

Mr. CALLAN. Thank you.

Mr. OLSON. Mr. Greigg?

Mr. GREIGG. No questions.

Mr. OLSON. Mr. Redlin?

Mr. REDLIN. No questions.

Mr. OLSON. Mr. Bandstra?

Mr. BANDSTRA. No further questions.

Mr. OLSON. Gentlemen? John?

Mr. SCHMIDHAUSER. No, no questions.

Mr. SCHISLER. No questions.

Mr. OLSON. Thank you, very much, Mr. Overman; we do appreciate your coming before us and giving us your views.

Mr. OVERMAN. Thank you, gentleman.

Mr. OLSON. The next witness is Mr. George Brindle of Union, Iowa.

Is Mr. Brindle present to present his statement to the committee?

(No response.)

Mr. OLSON. What we will do, without objection from the members of the committee, is go on to the other witnesses. I think we ought to go back afterward, since we are starting prior to 9:30, which was the time that was announced prior to the commencement of this hearing yesterday.

We will go on to Mr. Myron Jepsen of Cedar Falls, Iowa. Is Mr. Jepsen present?

(No response.)

Mr. OLSON. Mr. Ernest Kellenberger of Algona, Iowa.

(No response.)

Mr. OLSON. Is Mr. Kellenberger present?

Mr. KELLENBERGER. Yes. I don't have anything written out or typed up.

Mr. OLSON. That's all right. We didn't mean to imply that you had to have a prepared statement all typed up. We suggested that you do so and asked you to do so, but it is not necessary. We are just asking you for your help and your opinions regarding this particular piece of legislation.

STATEMENT OF ERNEST KELLENBERGER, CATTLE FEEDER, ALGONA, IOWA

Mr. KELLENBERGER. I just came with myself and I have no script. So I hope that you can bear with me. I just want to try to put my points across to all of you, Mr. Chairman and Members of the House, that I have on this bill, which, as a feeder of cattle, I do now wholeheartedly support. I would not—if I did not feel this way, I would not, in my opinion, be a normal person. I feel every person associated

with beef packing—if he had no connection with beef packing he would feel this way.

I would like to take this opportunity to say—to clear up some questions that were mentioned yesterday in regard to direct buying, if you recall, as to whether or not it should exist, and so forth.

I live some 138 miles from the closest terminal market.

It was also mentioned USDA service was of a benefit. You remember that being brought out yesterday? To me, I can't wait for the morning receipts to decide to load my cattle up to take them to a terminal market. I have to start out ahead of time; so if in the event a lot of people decided to bring their cattle to market, well, I am just there the wrong day, and I am so far away that for me to load them back up and take them home the cattle would almost become ill for me to do it.

Too, since I moved to Algona, I have started the practice of selling my own cattle, and I really am quite happy with the sales I have made. I would say the very first one I really loved it. I could have done a little better, if I would probably have taken a little more time, but we all have to learn it the hard way.

I really have taken a very personal liking to a number of packer buyers. They have been very helpful to me. I personally ask them what they think of the market. Their advice to me has been very good, if I would have always followed it. I didn't always follow it; but at different times it has been every good. Even in buying cattle—feeder cattle—I asked their advice.

If any word gets back to the packer buyers, I hope they will not be offended with my extending my support, but there is one particular buyer that really has irked me.

It was not so long ago, the first part of 1964, this cattle market, you recall, was really very bad. At the end of 1963 I was one of them with cattle. As one would listen to reports there would be a better market in the year—in April. I kept my cattle, and, of course, they were getting heavier. And I called one packer buyer up on day when I heard the dressed beef market was better. It had been in the doldrums. He didn't come until some 48 hours later, from what I can recall. And when he did arrive it was late one evening, and, in place for an excuse of not getting there, he told me that he was so busy looking at other cattle that feeders had called him to come and look at. He told me of a purchase that he had—excuse me—of a sale he had made of his own cattle, and this really irked me; not only had he made this sale about the very day I requested him to come see mine—the exact day I requested him to come to my place, but he finished loading them out. He said, “I just finished loading out.” And if I remember correctly, it was between 200 and 300 head of cattle. And here I was wanting to sell some cattle, as just a common, ordinary feeder. I had requested him to come and look at my cattle and buy them, and instead he was—he actually sold his own cattle and loaded them out; and this is certainly not a very pleasant thing to have told to you when comes to your place.

Mr. OLSON. Mr. Kellenberger, perhaps, maybe, we might find the easiest way to emphasize some of your points would be for the committee to specifically ask you some questions in regard to your support of H.R. 12115. Or do you have some specific suggestions or additions

to make in support of this bill, other than those that have been made already in support of this legislation? We hope this bill is not drafted to get into the area of the packer buying. I don't believe it is.

Mr. KELLENBERGER. I think it is also mentioned in this bill, isn't it, Bert, that no one connected with packer buying and so forth should be permitted to feed cattle? Is that correct or incorrect?

Mr. BANDSTRA. My understanding is that it would apply to any employee of the packing company, if they owned more than 5 percent of the stock. A person who is a buyer and an employee of the packing firm and owns more than 5 percent of the stock would not be able to feed cattle. Is that what you mean?

Mr. KELLENBERGER. Yes.

Mr. BANDSTRA. I have this question though: You don't approve of—and I haven't heard any witnesses testify that they wanted to abolish anyway, and certainly this bill doesn't cover it—the abolition of direct buying, but the point that the people at the central markets are making, as I understand it, is that without the central market you really don't have an effective way of establishing what the price is. Do you agree with that?

Mr. KELLENBERGER. I think the central markets are very fine. I only wish I lived closer to one, so that I could maybe turn my radio on early in the morning and back the old truck up to the chute and put the cattle on and take them there, if the run seems desirable. But I think that every central market man who is here probably would have to agree with me that it is important for me that far out to wait that long. You can't get there in time for the market after you wait, because it will be dinnertime. I think that is why out in my area it is the practice for direct selling.

Of course, if you do a poor job of it, you are not going to be in business long or have a banker to finance you very long.

I also would like to mention that I can't understand why any group of men that has a sizable quantity of money would even invest as much as they feel they dare to, plus ask others to invest in buying this stock when they start out. I think if it is a building that has any capacity whatsoever, they do not intend to right away provide the commodities that they are packing, whether it is cattle, hogs, fruit, vegetables, or whatever it is.

They situate their house in the location where they have access to buy from the average grower, so if the average grower is good enough to supply the part for them to pack, you might say they get along the way they are going and they pay for their investment.

I really feel we should be given consideration to be able to supply them with beef, or pork, or whatever it is, whatever commodity it might be.

Mr. OLSON. Do you have any questions, Mr. Callan?

Mr. CALLAN. No.

Mr. OLSON. Mr. Greigg?

Mr. GREIGG. No questions.

Mr. KELLENBERGER. So I hope there isn't any offense in what I have said in any way. I really have become very well acquainted with a number of packer-buyers. They have been very, very courteous with me in my dealings with them. I deal with them on the telephone and their word has been good. I have never yet had one, when I got there

with them, who would say—they didn't say that they had said something different. I would like to see them remain my friends.

Mr. OLSON. Thank you, very much, Mr. Kellenberger. I don't think they can take offense at what you said. Rather I feel they would believe you made a very good point in stating the necessity of this method of buying livestock. I think they would look kindly on your testimony, and perhaps they would be reminded that they ought not have their employees so active in taking care of their own livestock.

We thank you, very much, for making these points and presenting your testimony to us.

Mr. KELLENBERGER. I sure hope so. It is my opinion that we should try to help the younger feeders along the way.

These packer-buyers have been very truthful with me, and their advice to me to sell or their advice to me that it might be well for me to hold has been good. They have told me at times that in their opinion it might be well for me to hold, and they have told me to do so and not to sell, and I have done very well that way, and I have taken the attitude that they like to really—the majority of the buyers like to see us younger feeders stick around and continue to feed cattle—except for a few, I should say, or maybe I should say one in particular that I have in mind.

Mr. OLSON. I am sure that your experience with them, for the most part, from what your testimony has been here, has been real good. We thank you.

Mr. KELLENBERGER. And I should surely hope this bill can be passed this year.

Now in Iowa here they are developing feed lots on hilly slopes with some hard type of soil that you can use for concrete. You have to pour the concrete, and it is very expensive, and once these feed lots are built up, boy, it is going to be very costly, too, maybe 5 years from now. Now, if, as it has been said, this bill is premature, then to consider trying to get one passed after we have seen that it is going to be chaos, well, that I doubt.

As it has been mentioned, and maybe it hasn't been mentioned—I don't believe it has been mentioned—if we eliminate all the smaller feeders for a time, then the bigger feeder will supply the necessary feed just like this population is growing so fast that we might not be large enough to do it, and then, like the dairy industry, we might see a very serious shortage.

I hope this bill can be passed this session, or whenever this bill comes up before you people.

Before any more expense is put into a new venture, I would like to say this: If there is some packers that could build up a feed lot right along with the new packing plants that have always processed their own product, and have never had to go out and buy from John Doe, and so on, then I think that perhaps should be a privilege they could continue, and that they should be privileged to continue feeding their own cattle and packing their own meat.

I don't believe we should permit any new ones to start out or old ones to start in.

Thank you.

Mr. OLSON. Thank you, very much.

Mr. KELLENBERGER. So I hope I haven't said anything to offend anyone. I surely hope so. I hope the packers will treat me just as they have in the past.

Mr. OLSON. I am sure they will. Thank you, very much.

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

Mr. OLSON. We will at this time, if Mr. George Brindle has joined us and is prepared to make a statement, hear from Mr. Brindle.

Mr. BRINDLE. Yes.

Mr. OLSON. Very good. We will hear your statement, if you wish to present it to the committee at this time. If you wish to just hand it to the committee and then answer questions, that is all right, also. However, if you wish to make any oral comments or an oral statement, we will be pleased to have you do so.

STATEMENT OF GEORGE A. BRINDLE, TURKEY RAISER FROM UNION, IOWA

Mr. BRINDLE. My name is George A. Brindle. I operate 497 acres at Union, Iowa, own 120 acres, and rent 377 acres. With help of one full-time man, my wife, two sons, aged 12 and 14, we marketed 38,000 turkeys last year.

As a turkey raiser with 10 years' experience, I am much alarmed at the prospect of widespread, large-scale cattle feeding by meatpackers and other large corporations' interests. My experience with the results of actual integration in turkey business point out the fact that the underlying but main purpose of the operations is to destroy the daily free market for cattle. Thus, the independent family farm cattle feeder would be forced to contract his cattle to a processor to be able to get them sold.

As always, the big interests claim they feed cattle merely to have a few on hand at all times to level out killing operation, or to produce carcasses of a certain grade and quality. What always happens in practice is that the company cattle are held to the point where they want to drop the market. So they tell the farmers there are too many cattle of the grade the farm offers. Actually, they are slaughtering their own cattle of the same grade at the very moment, and down goes cattle price with a couple dollars cut.

Primary control in the turkey business is in the hands of a few feed companies. They, too, feed turkeys in competition with the very growers for whom they finance feed and turkeys. They breed and hatch their own birds in excessive numbers to be able to sell more units of feed. Competition among the giants of the industry themselves have forced each of them to operate processing facilities for turkeys.

Gradually they have been able to gain control of live turkey prices, because an independent grower simply has no place to sell, nor a reliable market price, because the birds are always contracted for in a great percentage of cases.

I have resisted contracts, but finally have been forced to sign a contract to sell my 1966 birds, because there is no market left for me. The birds are to be killed on a certain day and paid for at going USDA quotations. Yet on most days last year there were too few sales to report a market trend.

Next year, to raise turkeys, there is no alternative for me, but to accept a complete growing contract to grow turkeys for so many cents a pound. My identity as an independent turkey grower will be gone.

One of the main goals of the meatpacking industry is to bring the cattle feeder to his knees by the same tactics. They want to make him a contract man, too, then they can buy the cattle for him, tell him how to feed, when to sell, pay him a price per pound produced for a steer of a certain grade and weight. They want to get him as a contract man so they can save the wages. All the farmers will have to do is to handle the cattle the way they want it done and take whatever they wish to pay.

The immediate results of such monopoly will be the ruin of small businesses that supply the farmer. No corporation will pay a markup on supplies great enough to maintain a business. The contract cattle feeder won't have much use for a bank. Large-scale operations have no place in their plans for a feed grain program. They want cheap feed and urge as much grain produced as possible.

The final, and perhaps the greatest loser in the long run, can be the consumer. No matter how cheap the packer is able to buy, he has always demonstrated fine abilities to be able to dispose of meat at a price based on whatever his customer can afford. If the free-market quotation is gone, the consumer will then have no way of knowing how much the market really is.

The cattle industry needs more precise market information from a modernized Market News Service. It needs its free market protected from artificial supply and demand manipulation that will result from large-scale feeding of cattle by meatpackers.

Some contracting of hogs on an experimental basis is now being conducted in eastern Iowa. Cattle feeding lends itself well to large-scale operation. Diseases are not great problems in cattle feedlots. Cattle are a good risk for a loan of great amount. The groundwork exponents—that should be experiments. I am sorry. My secretary made a mistake. The groundwork experiments in feeding are very successful in California, Arizona, and Colorado. It will soon spread through the Midwest, if not controlled.

I urge that Mr. Bandstra's bill, H.R. 12115, be recommended for enactment into law by the Congress of the United States.

Thank you.

Mr. OLSON. Thank you very much, Mr. Brindle, for a very fine statement. Are there any questions?

Mr. CALLAN. You feel the turkey market is being controlled by a few large companies in this country?

Mr. BRINDLE. I do. That is the reason I stated in my statement I contracted these birds for processing this year.

Mr. CALLAN. With whom did you contract?

Mr. BRINDLE. I ended up contracting with my feed supplier.

Mr. CALLAN. What company is that?

Mr. BRINDLE. Doughboy, Inc.

Mr. CALLAN. Thank you.

Mr. OLSON. Mr. Greigg?

Mr. GREIGG. No questions.

Mr. OLSON. Mr. Bandstra.

Mr. BANDSTRA. Yes. Mr. Brindle, I think you have pretty accurately sized up the situation, and you see it about as I do, as far as what the future is going to hold for the cattle people if we let this thing continue as it is at the present time.

I was just curious about the statement, or a sentence in your statement, "The birds are to be killed on a certain day * * *." Now, is this date specified in the contract that you are to deliver them; is that it?

Mr. BRINDLE. Yes. Turkeys, especially large market turkeys, have to be killed at about a certain time. We begin to lose food conversion around the 25th or 26th week, or around the time they weigh 28 pounds. That is for toms, and it is necessary that we market these birds or have them killed at that time, because from that time on they begin to become extremely low feed conversion. It takes too many pounds of grain to produce a pound of turkey.

Mr. BANDSTRA. I understand that, but what I am getting at is, does the contract that you sign specify the date of delivery? In other words, does it tell you the date that you are to deliver the turkeys?

Mr. BRINDLE. No, not exactly, but it is within a week.

Mr. BANDSTRA. I see.

Mr. BRINDLE. That is for their convenience, and my convenience, and it takes care of the weather, and so forth.

Mr. BANDSTRA. And you go on to say, "Yet on most days last year 'there were too few sales to report a market trend.'" How do you establish the price then?

Mr. BRINDLE. Maybe I should make that more clear. They came to me with this contract. I had no alternative but to make a contract with someone, because the processing facilities are almost completely committed in the Middle West at the present time. I hope I can make myself clear. So many of these turkeys are contracted now that many days the U.S. Market Service in the State of Iowa last year couldn't report market trends correctly.

The point I want to make is the only way that I could still make a contract was with some sort of a cash price, and that is the only indicator that they have for the cash price. And yet the cash price that is going to be determined for my turkeys may be determined on a flock. I am going to sell a flock of maybe 10,000 and it may be determined on a flock of 400 or 500 that goes to some small processor way out in the sticks.

Mr. BANDSTRA. I see. In other words, what has happened in the turkey industry is that the central market has been destroyed, and as a result you have no way of determining what the value of the turkeys are?

Mr. BRINDLE. That is right, Mr. Bandstra. Let me make this point: When my turkeys go in, and maybe they are determined, we will say, on a price of some small flock of turkeys, or two or three out here in the State of Iowa, then, in turn, perhaps my company may report this sale of mine, and that would, in turn, drag down the market for the next big flock on the next day. This thing is really tied up, and there is no doubt about it. We just don't have a proper market for our turkeys.

Mr. BANDSTRA. Maybe what is going to be required, very frankly, is some sort of a reporting system for turkeys or cattle or what have you which are bought and sold directly, without going through the central market.

Mr. BRINDLE. I think really what has happened is the fact that there are many contracts with minimum floors under these birds that are for grade A birds, or 75 percent grade A, which is usually the case. I think the way it is going to end up is that the only price that is going to be paid to the producer is going to be the minimum price. I think that is the whole deal. There is a floor price under turkeys under this contract, and it is 18½ cents a pound, and that is what we are figuring to buy them for.

Mr. BANDSTRA. Can you afford to feed them for that price?

Mr. BRINDLE. Well, I can't afford to go out of the turkey business.

Mr. BANDSTRA. I want to thank you very much, Mr. Brindle. You have given us a lot of good information, and also to anyone who is interested in what the future could possibly hold in the livestock business.

Mr. BRINDLE. I would like to add one little statement to this. You know these boys come out here, and they are going to do it in the cattle business. They have already done it in the turkey business. They come out here, and if there is anything wrong with your year's profit, or with your flock profit, they always suggest more management, "Management is your problem." Actually, management is not your problem, gentleman; it is price. As for the management, the man has got to be good in the turkey business. If you can't raise 90 percent of your birds, you are automatically out. But what they want to tell you is this, "What you have to do, Mr. Brindle, you have to raise 95 percent of your birds. There is something wrong with your management if you are not making a profit." But really, 1 cent a pound would do me so much more good than 5 percent livability, but that is where these guys talk to you. That is the way these smart boys talk to you. They want—they all have something. Some glib-talking salesman always will have some way to sell you something and show you how you can pay for it.

Mr. BANDSTRA. This glib-talking salesman never raised a turkey in his life, probably?

Mr. BRINDLE. He drives around in a company car, and if you are going to see him, you have got to be home when he comes. And, of course, he can really tell you how to do it, but he never raised a turkey.

Mr. BANDSTRA. Thank you.

Mr. OLSON. Thank you, sir.

Mr. BRINDLE. I am glad to be able to talk to you.

Mr. OLSON. Mr. Myron Jepson?

(No response.)

Mr. OLSON. Mr. George Hardy? Is Mr. Hardy present?

(No response.)

Mr. OLSON. Russell W. Bryant?

(No response.)

Mr. OLSON. Mr. Richard Slatum?

(No response.)

Mr. OLSON. Richard Holstad?

(No response.)

Mr. OLSON. The names I am calling now were added to my list. Fowler, they were to appear today?

Mr. FOWLER WEST. They were to appear today, right, sir.

Mr. OLSON. We probably won't go back over them, if they are not present now.

Mr. Richard Holstad?

(No response.)

Mr. OLSON. Robert Ellis?

(No response.)

Mr. OLSON. Robert West?

(No response.)

Mr. OLSON. We will go on. Mr. Don Jones. Is Mr. Jones present?

Mr. JONES. Yes.

Mr. OLSON. We would be pleased to hear from you, Mr. Jones. I notice that you are a banker. Do you represent any bankers' organizations?

Mr. JONES. No, sir; just our own bank.

Mr. OLSON. That is very fine. I see. We are pleased to hear from you. You may proceed, Mr. Jones.

STATEMENT OF DONALD JONES, BANKER, FROM CRESTON, IOWA

Mr. JONES. Mr. Chairman and Members of the House of Congress, it is indeed a pleasure to appear before you today.

My name is Don Jones. I live in the country on Rural Route 1, Creston, Iowa.

I am assistant vice president and agricultural representative at the First National Bank in Creston, Iowa.

I am a member of the Union County Beef Producers. I am a member and a director of the Southern Aberdeen Angus Association. I am a member and a director of the Iowa Beef Producers Association and a member of the Iowa Beef Improvement Association.

I am official weigher and grader for Iowa Beef Improvement Association, and I am a livestock judge for fairs.

And the figures I have used in this report were supplied by the Union County ASC office, and the Union County Extension Service, and the 1964 U.S. Census of Agriculture preliminary report for Union County.

I will make a statement that I am for this bill, H.R. 12115, a bill by Representative Bert Bandstra to prohibit large-scale feeding of livestock by meatpackers and retail chainstores.

The so-called vertical integration of the beef-producing industry, whereby cattle are fed, in my opinion, slaughtered, processed, and re-tailed by large retail chainstores, and packers, constitutes a monopoly of this very important segment of agricultural industry.

This vertical integration allows large corporations to control the livestock market on any given day or week, or longer period of time, thus depressing or accelerating the market to suit their needs, giving them an unfair advantage of the farmer-producer and consumer alike.

Up to the most recent date vertical integration was something that the Midwest Beef Producers read about, happening mostly on the west coast not many years ago, and many of your remember this. But now it becomes very real when Iowa packing firms announce feed lot plans in volume that exceed the feeding operation of several counties. Although we are all aware of the old saying, "No matter how thin you slice the baloney, there will always be two sides." There comes a time when we must stand up for our side.

Vertical integration in the livestock market can have far-reaching results. Not many years ago southern Iowa was spoken of as the slums.

of rural America. However, it has been my observation that the farm program in southern Iowa and in Union County, in particular, has changed, where only 59 percent of the land is in crop rotation, with a breakdown of the crop rotation land as follows:

1. Five percent of the land you can farm without any hazards;
2. Twenty-nine percent with few hazards;
3. Thirty-two percent with more hazards;
4. Seventeen percent of our cropland could be cropped once every 5 to 7 years; and
5. Seventeen percent would be best suited for permanent pasture.

I present these figures to you to give you a base as to what is happening in Union County and in southern Iowa.

A farmer with technology available can produce grain crops on the No. 1, No. 2, and No. 3 land in competition to the best land in the farm belt, and can seed down the No. 4 and No. 5 land to trefoil and modern grasses, and compete in the cow-calf program with the best of the rangeland area. This has happened in Union County, and I present these figures to bear it out, and I have gone back over a number of years and the figures that were available to me.

The corn yield in Union County in 1959 was 53.5; in 1960 the yield was 54.1; in 1961 it was 58.9; in 1962 it was 65.7; in 1963 it was 70, and in 1964 it was 73 bushels per acre. This is very definitely the result of technology.

Our beef cow numbers in Union County increased. In 1958 the number was 12,338; in 1959 there were 13,078; in 1960 there were 13,480; in 1961 there were 14,490; in 1962 there were 14,929; in 1963 there were 15,929; in 1964 there were 18,500, and in 1965 there were 20,000.

I think it is significant that these beef calves produced in Union County find their way to the end market from Union County feedlots. To my knowledge, in Union County there are only 2 producers feeding 1,000 head or more; however, there are many farmer-feeders that feed from 50 to 300 head or more. With several feed yards already established that are feeding large numbers of livestock, it would appear that packer-feeding could deprive Union County of this source of income.

When I say that most of the calves produced in Union County find their way to the end market from Union County, I don't mean to imply that all calves are fed out on the farm where they are produced.

Out of 862 commercial farms in Union County in 1964, 518 were using a pasture improvement program with some form of conservation practice. This in turn produced more grass for more beef cattle. Many of the calves produced on these pastures were sold through local sales by the producer where they knew there would be competitive bidding by their neighbor feeders and farmer-feeders from our more fortunate grain-producing areas in the northern part of our great State of Iowa.

If vertical integration were allowed to expand, the farmer-feeder calf producer would see the competition for his feeder calves narrow, even to the point that a few buyers with a little manipulation could swing the buying advantage to their side.

In our bank, the First National Bank in Creston, at Creston, Iowa, our note case has many loans secured by the beef cow feedlot program, and in our opinion this program has helped build Union County's

economy up to the point where we no longer are willing to be tabbed with the term "the slums of rural America."

I feel H.R. 12115 will do much to help us maintain this healthy economy.

Now that is my written part of this testimony, but I do want to say that as a banker and as a selfish banking interest, that these loans that we make to these farmer-feeders producers are really the lifeline of our bank, and I can't conceive of us making any loans to any big corporations, feeder-packers-chainstore type of operation, because they have access to prime rate interest. They are big corporations, and we thus would be deprived of this income we have from this source.

I didn't put this in writing, because I don't feel that very many have too much sympathy for bankers.

Mr. BANDSTRA. You might be surprised, Mr. Jones.

Mr. JONES. I do feel that anything that affects the economy of Union County affects the economy of our bank.

Mr. OLSON. Mr. Callan?

Mr. CALLAN. What interest are you charging on these cattle-feeding loans now?

Mr. JONES. Our operating loans to all our farmers are 6 percent.

Mr. CALLAN. 6 percent?

Mr. JONES. And I might say we are paying $4\frac{1}{2}$ percent on time deposits.

Mr. CALLAN. You have not raised your interest on those?

Mr. JONES. Not on any operating loans, no.

Mr. OLSON. Mr. Greigg.

Mr. GREIGG. Thank you, Mr. Jones, for a very fine statement.

Mr. JONES. Thank you, sir.

Mr. OLSON. Mr. Bandstra.

Mr. BANDSTRA. Since Mr. Jones comes from the Fourth Congressional District, I would be remiss if I didn't say anything, I am sure. I want to first of all commend you and say that the thought that vertical integration in cattle, hog, and sheep feeding has an effect upon the banker as well as the farmer is something that I thought of some time ago. This occurred to me a long time ago. It occurred to me that this certainly was going to affect not only the farmer but the banker as well, and every other smalltown merchant in every county seat in the State of Iowa.

I just want to commend you for your statement. And I must say that you are the only banker that has been up here. I want to commend you as a banker. I think you have some foresight to make predictions in what could possibly happen not only in Union County but Ringgold and Decatur, and even over in Clarke County, and some of these other areas, which might be regarded as the heavy cattle feeding areas.

I did want to ask the question about percents. I don't know anything about the banking business, so it is difficult to ask the question. But about what percent of your loans go into livestock business in your bank, Mr. Jones, if you know?

Mr. JONES. Well, it would be pretty hard for me to break that down, because operating loans could cover the costs of farming the land, buying the cattle, buying the grain, and so on. I will say this, that we are a farmers' bank. I can say this for all of southern Iowa,

that any bank in southern Iowa is a farmers' bank, to my knowledge. Creston is about the largest city between Des Moines and Omaha, and St. Joe, gentlemen, if you want to take a triangle, and very definitely we encourage industry, and we hope to get more, because we feel we need it, but industry doesn't play too big a part in our bank in our finances; and, as I said before, the statement I made, our lifelines are all farmer operators, and we have found, since we have got on to this program where we improve the pasture and increase the feed costs, our loans are much more secure than they were before. And I wouldn't attempt to break it down into percentages. I think it could be done, if it were necessary, and if you feel it would help you. If you feel it would help you, I would be glad to break it down.

Mr. BANDSTRA. I appreciate that, but I can understand that you wouldn't have information such as that readily available. I assume there may be banks in the heavy feeding areas where they do break it down. I can see why you wouldn't be doing it in your bank.

In other words, what you are telling the committee is that as far as your bank is concerned you recognize that you have a farm economy down in Union County and the bank prospers—if it does prosper—along with the farmer and not otherwise; is that correct?

Mr. JONES. That is very correct.

Mr. BANDSTRA. And that what is true of the banking business is also true with the machinery dealer, the feed dealer, and the shoe people, and everybody else around the square?

Mr. JONES. I think the banks would be as probably as good a yardstick as you could find in measuring what the agricultural economy was, because we enhance the machinery dealer as well as the feed dealers.

Mr. BANDSTRA. Just one more question, Mr. Jones, since you are here. This is the Livestock and Feed Grains Subcommittee, and I recognize that southern Iowa is perhaps not as much affected by the feed grain program as other areas might be, but what is your thought as to whether the feed grain program has been helpful to Union County?

Mr. JONES. I would very definitely go on record saying that I very definitely think it has been helpful. As a matter of fact, I think you should give credit where it belongs. I don't think we would ever have the type of technology in Union County that we have, unless we had adopted the feed grain program. So far as I am concerned, it has been very, very helpful.

Mr. BANDSTRA. That is probably true, although there were members of the committee who would like to have had some changes in it.

Mr. JONES. There possibly could have been some differences in it.

Mr. BANDSTRA. Thank you, very much, Mr. Jones.

Mr. OLSON. Are there any further questions of Mr. Jones? Apparently there are none. Thank you, Mr. Jones.

Mr. JONES. Thank you.

Mr. OLSON. I have been told that some of the people whose names we have called earlier have come in. I think in fairness to the witnesses who were scheduled later on that we should go back and go over this list again.

Myron Jepsen? (No response.)

George Hardy? (No response.)

Russell W. Bryant? (No response.)

I know Mr. Robert Ellis has come in. Is that right? Is Mr. Ellis here?

Mr. ELLIS. Here.

Mr. OLSON. Mr. Ellis, we will hear your statement at this time. Now you may present your statement to the committee and have it entered as part of the testimony and proceed orally with any additions that you want to, or else you may read your statement, whichever you choose to do.

Mr. ELLIS. OK.

Mr. OLSON. You may proceed, sir.

STATEMENT OF ROBERT ELLIS, CATTLE FEEDER, GRADE A DAIRY FARMER, AND CROP FARMER, FROM DALLAS CENTER, IOWA

Mr. ELLIS. My name is Robert Ellis. My brother and I farm 480 acres near Dallas Center and we feed about 50 cattle and operate a grade A dairy consisting of 40 milking cows.

I wish to speak in opposition to H.R. 12115.

First, I do not believe the Government has any business determining a person's or group of persons' occupation.

Second, in the event monopolistic practices occur, the antitrust laws presently in force could be implemented instead of legislation of this type.

On the surface this appears to be protective legislation for farmers, but if H.R. 12115 should become law, I am sure processors would want similar legislation to prevent feeders and farmers from being in the processing business. I feel they could get such legislation with an urban oriented Congress, such as we have today.

As a farmer interested in cooperatives, I believe this bill, because of the side effects mentioned above, would deal a lethal blow to processing and marketing cooperatives. These cooperatives are far more important and will enhance farm income much more than packers doing some feeding will depress it. We can compete. We will compete. If margins should become too small we will process.

At our farm we are opposed to H.R. 12115.

Mr. OLSON. Thank you. Are there any questions of Mr. Ellis? Mr. Callan?

Mr. CALLAN. Mr. Ellis, do you think that as a processor you can compete with Armour and Co.?

Mr. ELLIS. Yes, if it became necessary.

Mr. CALLAN. You think you could get the adequate financing and everything required to go out and find a market and process your own beef and find sales for it?

Mr. ELLIS. Not, I personally. I could not, but a group of us can.

Mr. CALLAN. Is there any cooperative slaughtering plants now that you know of?

Mr. ELLIS. Not to my knowledge. I am speaking of processing in general. This includes other phases, also, besides packing.

Mr. CALLAN. What do you mean?

Mr. ELLIS. It concerns the milk processing; for example, milk bottling.

Mr. CALLAN. This bill has nothing to do with milk bottling.

Mr. ELLIS. I understand it does not, but the principle and price across the board are similar.

Mr. CALLAN. Do you believe that if during the course of these hearings with this committee that it is established that through marketing, cattle feeding, and so forth, that certain companies are able to set prices, or have some control over the market, that there shouldn't be any legislation passed? You feel that there are laws on the books now that will handle this proposition? Is that what you are saying?

Mr. ELLIS. That is correct.

Mr. CALLAN. In other words, you don't think this should be a monopoly?

Mr. ELLIS. No, sir; I do not. I do not think processors should feed a lot of cattle, because they are going to be asking for something in the competitive process.

Mr. CALLAN. You realize, don't you, what has happened to the poultry industry? You remember the gentleman testifying that he couldn't find a market for his birds, his turkeys, and he had to go to a processor before he could sell them? You realize what has happened to poultry and the processing industry that has gone into the vertical integration?

Mr. ELLIS. I think the poultry processor and the raiser—I think poultry lends itself more readily to vertical integration than does beef.

Mr. CALLAN. You don't think vertical integration is going on now in the beef industry?

Mr. ELLIS. I think there is to some extent.

Mr. CALLAN. You don't think it is going to get any bigger?

Mr. ELLIS. I think we can compete. We don't have the fixed costs that the large producers have.

Mr. CALLAN. Pardon me? Are we competing now? Do you see any trend here that worries you at all?

Mr. ELLIS. It concerns me more if legislation should be passed to prevent them from doing this, and then they in turn would get legislation to prevent the farmers from being processors. This sure could follow with this type of legislation.

Mr. CALLAN. You understand that this legislation says that you have to have more than 5 percent of stock, and if not you can feed all the cattle you want?

Mr. ELLIS. (No response.)

Mr. CALLAN. That's all.

Mr. OLSON. Mr. Redlin.

Mr. REDLIN. I want to reemphasize, sir, that you do see a danger, however, in the trend of packers and processors being in the field of feeding cattle?

Mr. ELLIS. I know they are in it.

Mr. REDLIN. Did you say you registered a concern about that? Are you concerned about it?

Mr. ELLIS. I am not particularly concerned.

Mr. REDLIN. I see.

Mr. ELLIS. Because I think we can compete with them. I think they have some costs, some fixed costs that are—that can be competed with.

Mr. REDLIN. Do you want to identify what those costs are that you can compete with?

Mr. ELLIS. They have some labor costs, procurement of feed costs, and so forth, that a farmer of our size doesn't have in the same form.

Mr. REDLIN. May I ask you, to follow that a little farther, where do you have different labor costs and different processing costs?

Mr. ELLIS. They have a payroll to meet. They have some death losses from large concentration of cattle, and they have to contract acres to feed these cattle, and so forth. I am not an economist. I can't follow this down.

Mr. REDLIN. It would appear to a farmer from North Dakota that you have the same thing. You have the cattle, the labor, and the feed, no matter who is doing the operation. And the farmer, as I recall, being a farmer before I came to Congress, doesn't want to kid himself that he doesn't have labor costs, even if the labor is his own.

Mr. ELLIS. That is true, very true, but we can compete with this type of thing.

Mr. REDLIN. You have very unusual optimism, and I am glad you came here to express your forthright opinion.

Mr. ELLIS. I am not as concerned about that as I am about the legislation that could very well come about to prevent us from being a processor. This is a disaster, as far as I am concerned.

Mr. REDLIN. Thank you.

Mr. OLSON. Mr. Bandstra.

Mr. BANDSTRA. Yes, sir. Mr. Ellis, I don't know that the bill does prohibit farmers—it does to a certain extent prohibit the feeding of cattle by a cooperative, but, as I understand it, it does not prohibit a cooperative from packing or going into the meatpacking processing business and they can still have cattle fed by members of the co-op.

Mr. ELLIS. That is true in this bill. I am thinking of future legislation in retaliation, legislation by processors.

Mr. BANDSTRA. Of course, if this is your only concern about it, you are really basing it on something that is quite speculative; aren't you?

Mr. ELLIS. I am basing it on something that hasn't happened, but something that I certainly would not want to happen, because it could dramatically affect the individual, such as myself.

Mr. BANDSTRA. As I understand it, you are—really, your only objection to the bill as drafted is that you are afraid someday in the future the packer will want to come along and have legislation to prohibit the farmer from going into packing. That is your only objection?

Mr. ELLIS. That is my objection, plus the one that I previously have stated, that I don't think the Government has the right to tell a person or persons what occupation they should have.

Mr. BANDSTRA. You are putting yourself in opposition against the antitrust laws?

Mr. ELLIS. The antitrust law doesn't dictate the business I can get into.

Mr. BANDSTRA. I wouldn't be too sure about that. There is a recent decision by the Federal Trade Commission in which they did just that. They frequently do this. This is their purpose. They make businesses divest themselves from certain businesses which they have bought. In this one recent case it happens to be a shoe company, as I recall. They bought another company out.

Surely you are familiar with the *Du Pont* case where they were required to spin off their General Motors stock.

The whole purpose of this legislation is to promote competition. You are for the competitive system, aren't you, sir?

Mr. ELLIS. Yes, sir.

Mr. BANDSTRA. You understand, also, that if you let competition go unabated, and just have no control of any kind, that you can finally end up with monopoly and no possibility of competition. You are aware of that, aren't you?

Mr. ELLIS. Yes; I am.

Mr. BANDSTRA. Are you opposed then to the antitrust laws that prohibit monopolies, or at least try to keep them from getting too strong?

Mr. ELLIS. No; I am not opposed to the antitrust laws because they don't tell the corporations what they can or can't do.

Mr. BANDSTRA. Oh, but they do.

Mr. ELLIS. They don't tell them to get clear out of the business they are in.

Mr. BANDSTRA. You are very wrong about that. They do tell businesses that they can't go into certain other businesses, businesses that would give them some type of a monopoly. This has been going on ever since the days of Teddy Roosevelt.

This bill, in my judgment, is somewhat of an antimonopoly measure, the bill that we are here about this morning.

Now let me ask you this question. Are you at all familiar with the consent decree of 1920, which the five large packers entered into with the Justice Department as a result of violations of the Sherman anti-trust law? Are you familiar at all with the history of that?

Mr. ELLIS. No; I am not.

Mr. BANDSTRA. I might suggest, in view of what you said in your statement and in view of what you have told the committee about Government interference, as you call it, with business enterprises, that you acquaint yourself with the history of this in connection with the meatpacking industry. I am sure if you would, you would find it very enlightening as to what can happen if vertical integration goes forward into the retail business and backward into the producing field. I think maybe you would find it very helpful and informative.

Thank you.

Mr. OLSON. Mr. Schisler.

Mr. SCHISLER. Thank you, Mr. Chairman. Now I am interested to know—you say you can compete and will compete. You realize that since 1960 we have lost 3.3 million farm people. Our farm population is down now to something like 3 million or 6.4 percent of the population. I am wondering who is going to be left at this rate, with this mass exodus from the farm? Who is going to be left to compete in a few years, if legislation like this is not enacted? This is what worries me.

Mr. ELLIS. Well, if they continue to ask us to stop—ask people to stop eating food when the parity ratio reaches 83 percent there probably won't be any.

Mr. SCHISLER. I have no further questions.

Mr. OLSON. Mr. Schmidhauser.

Mr. SCHMIDHAUSER. Mr. Chairman, I would like to comment that many of us share the concern about some of the real or inaccurately reported statements of our Secretary of Agriculture. I think it is a case in point well taken, and I am sure that many of us are trying to do something about it.

I would like to say though that the point raised by my colleague, the author of this original legislation, we are concerned with here today

and that we are considering here, about the consent decree is a very important point. It is one that in the legal history of antitrust legislation, particularly as it applies to agriculture and producers, that should be available for full public discussion and study, and I should like to ask the Chairman whether it would be in order to include that consent decree and the relative information related to it as part of your record at this point, so that when other Members of Congress consider the committee hearing record that this would be fully available to them?

Mr. OLSON. The committee might be well-advised to make a reference to it, and where it is available, as a matter of a footnote for research material, to back up what has been discussed in the hearing. Without objection we can do that.

Are there any further questions?

Mr. ELLIS, I am very much interested in your approach and in your belief that cooperatives can do the job for you, and I do feel that you do have very strong evidence to support you that cooperatives have done a very good job.

What cooperatives do you belong to now, if any? Do you employ them to assist you in marketing the cattle or the dairy products that you refer to as having or as being your major occupation?

Mr. ELLIS. Yes. I belong to and am a member of the executive board of the Des Moines Cooperative Dairy. I belong to and am vice president of the Board of Consolidated Breeder Cooperative, and I am also a member of the Farmers' Cooperative.

Mr. OLSON. You have discussed such matters, and I am not indicating that you speak in behalf of cooperatives, but you are well grounded in a cooperative field that you are presenting an opinion that might be well beyond your own.

Mr. ELLIS. I am speaking only—I am not speaking in behalf of these organizations, but I have worked as hard and as diligently as I know how.

Mr. OLSON. Thank you, very much. I have no further questions.

Mr. ELLIS. Thank you.

Mr. OLSON. Is Mr. Robert West here?

Mr. WEST. Yes.

Mr. OLSON. You may proceed, Mr. West.

STATEMENT OF ROBERT WEST, CATTLE FEEDER AND FARMER, FROM NEAR PERRY, IOWA

Mr. WEST. My name is Robert West. I live on a farm near Perry, Iowa. I farm 320 acres, feed up to a thousand hogs per year, and feed 50 head of cattle.

I am opposed to H.R. 12115. There are three reasons for my opposition to the bill:

First, it is contrary to our basic American concept of freedom of entry into any business, which a citizen chooses. It could be foot-in-the-door for many other controls.

Second, the fact that a packer may have some cattle of his own available may actually accrue to the benefit of the farmer.

Third, as a cornbelt livestock feeder, I can compete with the packer, who has to buy feed, hire help, face the danger of disease that comes

with high concentration of livestock numbers, and who has the problem of procuring large numbers of feeder cattle.

For these reasons I urge opposition to H.R. 12115.

Mr. OLSON. Are there any questions from any of the members? Mr. Greigg?

Mr. GREIGG. No; I have no questions.

Mr. OLSON. Mr. Callan?

Mr. CALLAN. No.

Mr. OLSON. Mr. Bandstra.

Mr. BANDSTRA. I take it, Mr. West, that you hold a position that anyone who might tend to favor the bill would be really opposed or working against the best interests of the American free enterprise system?

Mr. WEST. Yes, basically. I guess, basically, you could say that. We have got legislation and regulations up to our neck now. Each time we add on one more we cut a little more freedom of our choice.

Mr. BANDSTRA. Just the other day we went through this with one of the other witnesses, a Mr. Ruser, of Omaha, Nebr., who took somewhat the same tack you did.

My view of that would be a little bit different. He agreed, I think, that the Packers and Stockyards Act, which is a type of regulatory law, certainly does regulate, but that it has really eliminated some of the bad conditions that existed back in 1920 in the packing industry, at the time of the consent decree. Now would you agree with this, too? And as a matter of fact, Federal regulations, or State regulations, or any regulations for that matter, usually come about as a result of aroused public opinion over conditions that require some corrective action. Now don't you think we know something about the vertical integration? Don't you think that if we were to just let it go that it would get to such a point that we couldn't do anything about it, that it would eventually require some very radical legislation?

Mr. WEST. I would agree with you that there is an area that exists here of that type. However, I am not sure that legislation that is proposed is the answer.

Mr. BANDSTRA. What would you suggest? You do recognize the problem? We have heard this from some of the other witnesses, too, who have come up here, and, in fact, one witness read a resolution condemning all the feeding by packers. We are not sure that he endorsed this bill. Maybe this bill is not the answer. Now what would you suggest? I would like to have some constructive suggestions as to how you think it ought to be handled. The committee will certainly be glad to take any suggestion you have into consideration.

Mr. WEST. This is a wide area of the problem. Our problem is covering a wide area. We continually are going back to the broiler industry, of course, which has gone to a large number and into an integrated situation.

As far as the beef-feeding business and the hog-feeding business, I know from experience, and the experience of my neighbors, that beef and hog feeding does not lend itself as readily as to large numbers in concentrated areas, because of high overhead, high labor costs, high disease probabilities. These things increase the overhead, and where I can actually feed cattle cheaper than the big packer is when he gets up to a place where he is large enough to cause an influence.

Mr. BANDSTRA. Well, this bill would not just cover packer feeding, as such, in packer feedlots. And your point is that you just can't accumulate that number of cattle without causing some problems? Of course, what has happened in the turkey and poultry industry, as I understand the situation, is that they have gone to contract feeding, which has harmed the individual producer, particularly down to Georgia. And one of the witnesses here this morning has been reduced to sort of a hired-man status. You don't want to see that happen to the cattle feeder, do you? He is also being contracted, right?

Mr. WEST. I understand that. No—I think there is probably a reason for some kind of legislation, although perhaps not this kind or at this time. You see, this, in my mind, is a class legislation. It would be the same if I came to Congress and would pass a law that nobody can feed cattle unless his last name was preceded with W.

Mr. BANDSTRA. It would be unconstitutional.

Mr. WEST. Yes. But here you have a form of class legislation.

Mr. BANDSTRA. Of course, we do also pass and draw up certain class legislation at certain time. We need not get into that at this time. I think you recognize that we do it in the minimum wage law. Your gross is so much and you must pay a certain minimum wage. If your gross is smaller than that, then you don't have to pay that wage.

We have done this all along, and I really am not very impressed by the argument that the packer—that this may be unconstitutional to the packer, because I don't believe it is.

You think there ought to be legislation, but you don't know what kind of shape it ought to take; is that correct?

Mr. WEST. I am not sure there need be any legislation at all, as far as the cattle business is concerned, at this time. As far as the cattle industry is concerned, for instance, there could be the total number fed by packers or the total they had last year, less a week's total run of the market. This doesn't have as near as much influence on the market as the unfortunate statement by the President and the Secretary of Agriculture, which took \$4 or \$5 off our hog market, or helped to do it.

Mr. BANDSTRA. Are you referring to the order that was issued by the Secretary of Defense regarding the purchase of bacon?

Mr. WEST. Partly this, yes. And then the President making the statement asking the housewife to buy cheaper cuts of meat and to stay away from pork, because it is too high. And then the Secretary has made the statement that he was pleased that the farm prices were moving down. And they have moved down another 6 percent.

Mr. BANDSTRA. How does that affect the market when he says that? The point is whether or not the supply and the demand is there, not what the Secretary of Agriculture says or does not say.

Mr. WEST. This is true. The mere fact that he has made the statement, however, does affect it.

Mr. BANDSTRA. The truth is, you just don't like the present Secretary of Agriculture; is that what you are saying?

Mr. WEST. I didn't like the statement he made last week.

Mr. CALLAN. Would the gentleman yield on that?

Mr. BANDSTRA. Yes.

Mr. CALLAN. Did you see the statement?

Mr. WEST. I saw the contents of it in the paper.

Mr. CALLAN. I happen to have read that statement, and I might say that, No. 1, this was quoted out of context. I suppose you have heard of that?

Mr. WEST. Yes; very much.

Mr. CALLAN. All he said as he went through his statement was, he pointed out that he wanted to see fair and adequate prices for both the producer and the consumer. I think, if you will look in the record, the record of this particular Secretary of Agriculture, that there has not been a man more dedicated to try and get adequate income for the farmers.

And so I would suggest that before you claim that the one statement by the Secretary of Agriculture is the cause for the drop of hog prices, from \$3 to \$4 a hundred, that you might take another look at it. Would you agree with that?

Mr. WEST. Yes. I made the statement that there are other factors, of course, which enter in here. One, of course, is the vast sale of feed grain on the market by the Secretary, which has held the price of corn down.

Mr. CALLAN. Do you think \$30 hogs is good for your business?

Mr. WEST. Not necessarily, no.

Mr. CALLAN. Do you think that they were too high at \$30?

Mr. WEST. They were at the point where they would induce a lot of people to get back in the hog business.

Mr. CALLAN. So in the long run \$30 hogs—hogs going from \$23 to \$30, in a long run that would be a little detrimental to you?

Mr. WEST. I have expensive feeder pigs.

Mr. CALLAN. But over the long run, if we maintain a \$22 or a \$23 hog price, that is better than \$30?

Mr. WEST. I wouldn't want to set a figure.

Mr. CALLAN. At this time?

Mr. WEST. At this particular time, perhaps you are right.

Mr. CALLAN. Isn't it true that everybody and his brother were buying all the gilts and you couldn't buy a gilt if you wanted to? And maybe down the road here, 6 months to a year from now, the man might be in trouble due to the fact that they did just that.

Mr. WEST. We are looking forward to this situation occurring.

Mr. CALLAN. If this happens, this is not the fault of the Secretary of Agriculture?

Mr. WEST. Not necessarily, no.

Mr. CALLAN. Is it his fault at all?

Mr. WEST. I think the fact that the price of corn has been held and because the feed is cheap.

Mr. CALLAN. Which is the most important?

Mr. WEST. I think it is a combination of both.

Mr. CALLAN. A combination of both?

Mr. WEST. Yes.

Mr. CALLAN. If the hog prices go down 6 to 8 months from now are you going to blame the Secretary of Agriculture?

Mr. WEST. Not completely, no.

Mr. CALLAN. Are you going to blame him at all?

Mr. WEST. You can't blame it all on one man, no.

Mr. CALLAN. Thank you.

Mr. OLSON. Mr. Greigg,

Mr. GREIGG. Mr. West, have you every participated in the feed grain program?

Mr. WEST. Oh, yes.

Mr. GREIGG. Are you in the program now?

Mr. WEST. Yes.

Mr. GREIGG. Do you find that program contrary to basic freedoms?

Mr. WEST. Somewhat, yes. Here again the actions of the Secretary and his staff of dumping feed grain on the market to hold the feed grains down is partially, I will say, to induce the farmer to sign up for the grain—the feed grain program. It is a dollar-and-cents proposition, as far as I am concerned.

Mr. GREIGG. Has the feed grain program helped the economy of Iowa? Has it helped your income on your farm?

Mr. WEST. I think there is no doubt of that.

Mr. GREIGG. You are not opposed to the feed grain program then?

Mr. WEST. Not the total program; no. I am against the principles involved, which is against my principles, but we have all areas and shades of grays, and nothing is black and white any more.

Mr. GREIGG. I wholeheartedly support that statement. It is not all black and white. There is considerable gray in all legislation.

Mr. WEST. Yes.

Mr. GREIGG. I find your statement to be very interesting. You participate in the feed grain program; you feel it has been beneficial in boosting farm income; and you feel it has been helpful and stabilizing to the farmer. However, you are the second to come to us this morning and say this program, this bill we are talking about today, would violate the basic freedoms of the individual. Where is the consistency?

Mr. WEST. Well, there again, perhaps, you are reading into my statement something that I haven't said. The feed grain program has enhanced the income of Iowa, but the increase in the income has come from the Federal Treasury, a lot of it. We get items in the newspaper that so many million dollars come into Iowa or Dallas County from the feed grain program.

Mr. GREIGG. You are not suggesting that the American farmers are being subsidized, are you?

Mr. WEST. Yes.

Mr. GREIGG. You are suggesting that?

Mr. WEST. Yes.

Mr. GREIGG. At the consumers' expense?

Mr. WEST. At everybody's expense.

Mr. GREIGG. The farmers have been subsidizing the consumers through low food prices, and the consumers subsidize the farmer through tax money in the feed grain program. Is that your position?

Mr. WEST. There is no doubt about that.

Mr. GREIGG. I can tell you, Mr. West, that out of the 435 Members in the House of Representatives, there are only 50 who represent the kind of rural area, such as I am privileged to represent—I would be very frank in saying that your attitude on the question of farm program gives evidence that a farm program is not needed.

Mr. WEST. Yes, we need a farm program. I am not saying that at all. We need something that is a little less direct payment or benefit from the Federal Treasury. You see this is the one thing we worry about when we are dependent upon appropriations from

Congress each year or each 2 years, for our part of our income. And, with the decreasing number of rural legislators, it is very possible that this someday could be cut off.

Mr. GREIGG. Well, personally—and I speak as one Member of the House of Representatives on the Agriculture Committee—I have worked long and hard for a 4-year farm program, which I believe to be a very effective program in giving our farmers a fair break. Would you suggest that we not give the farmers a fair break by scuttling this program?

Mr. WEST. There are facets of this program which are very good. The retirement of acreage has been one of the principles I think most farmers adhere to. For years we knew we had to take some land out of production and we couldn't go ahead and produce all we wanted to or all we could on all we had and expect to sell it at a reasonable price. There is the law of supply and demand again.

The method or the use of—what do I want to say? The “use” perhaps is not the right word. The use of Federal money not to rent the land as a conservation research type program, something like this, on a voluntary basis, but to require certain things and retirement of certain numbers of acres from farmers on a nonvoluntary basis, and they still call it voluntary, but I think in my case it is not, you see, because, when I figure out in dollars and cents, I can't afford not to go into the feed grain program.

Mr. GREIGG. I see. Mr. West, I have one additional question. Do you feel that we would not need a government program such as the feed grain program, if we had an extended world market?

Mr. WEST. If we could somehow, and this, too, brings up great problems, I realize, in world trade, because we have to live in these other countries, but I think world trade is one of our outlets.

Mr. GREIGG. As long as you do, do you favor the trading of commodities with the Soviet Union and eastern satellite neighbors?

Mr. WEST. Someone has to.

Mr. GREIGG. Do you mean we should trade with them by trading with them as a farmer in Iowa?

Mr. WEST. I think perhaps we would gain more friendship, perhaps, than a feeling of adversity all the time.

Mr. GREIGG. You would favor trade with the Soviet Union? You would favor trading with the Soviet Union and its satellite nations, with the commodities we have, to increase our market?

Mr. WEST. I think I would, yes, sir.

Mr. GREIGG. Thank you.

Mr. OLSON. Mr. Redlin.

Mr. REDLIN. Mr. West, I will try to stick very closely to H.R. 12115, the bill we have here under consideration before us. Do you agree with the statement, or do you say that the same problem is continuing, as it has been brought out by evidence here in the last day or so, that we are increasing on a very definite curve the amount of packer feeding? Do you agree that the record shows that this is going up every year? Do you think there is any reason to believe this trend is going to taper off or go down?

Mr. WEST. I do, for this reason: You reach a place of diminishing returns, higher costs from hiring labor and buying feed, and expanding and getting bigger, and this is true in my operation as a farmer.

It is true in any business where you handle perishable commodities. I think the problems will get so large—I have seen in Arizona some feed yards that boomed real well in the later forties, when cattle prices were high, but the problem of hiring labor and getting and procuring feed, and getting it shipped in to feed in desolate areas, that it put these places out of business. They are standing empty now, except for a couple of large yards that I know of down there. They have continued to operate, but I don't think they have expanded.

Mr. REDLIN. From your point of view you think this will level out and we should not be alarmed as to what it portends for the future?

Mr. WEST. Right. We should not be alarmed, but we should be aware of the problem and that the problem exists, and we should be ready to move if it is necessary; but I don't think at this particular time that it is necessary.

Mr. REDLIN. You believe somewhere down the road we probably may have to move in some direction?

Mr. WEST. We might, but who knows? I do believe the problem of labor, increased labor costs, especially with the minimum wage going up, is going to level this thing out.

Mr. REDLIN. One more brief question. You say in your statement that the operation may actually accrue to the benefit of the farmer. Do you mean that you think the packer-feeder actually helps the independent farmer?

Mr. WEST. Well, in this way: This is my thinking on that, and perhaps this statement may be a bit ambiguous, but let's say we have a short run, a packer has a short run of cattle for a week. If he has some cattle of his own he can butcher and keep his help on, keep his plant operating. This might actually be of benefit to the farmer who has cattle to sell later on. If there is a layoff, he has to lay off his help, shut the plant down, and he makes pretty sure that he will have a big supply before he opens up again. This has happened with the hog business.

Mr. REDLIN. This is hard for me to believe. Do you believe the packer would have a large number of cattle available under this arrangement?

Mr. WEST. That depends on what you call extensive. I don't know. Is 3 percent extensive? Is 3 percent of the run extensive? Is under 7 percent extensive? Where do you place this? I don't know.

Mr. REDLIN. One more short question, Mr. West. You live on land yourself, as a farmer?

Mr. WEST. Yes. It is on a family farm bought in 1933, and my mother owns it now, and I operate it in partnership with her. I operate it all myself. I have a boy in high school, but you know how these high school kids are. They aren't much help any more, because they have so many other things to do. But it is strictly a one-man operation.

Mr. REDLIN. I have a senior high school boy myself who was on my farm helping me haul bales a year and a half ago.

Let me ask you this: Are you concerned with the trend you see in the country, in America? We have less people having the opportunity to raise a family out on the land, as you and I have had.

Mr. WEST. There is this trend, that is true, and being prejudiced, as I am, I can see no better place to raise a family than out on the farm. However, since we are still operating on a 1948 total income per

farmer, over the total—they say we will be this year—over the total farm economy, this has to be spread among less people or less farmers, or else we will be in the poverty section. You see what I mean? Nobody else is living under a 1948 income. This is the same dollar they received in 1948. So this trend has come about because of this. I expect it will continue some. I don't know. Maybe it will be as bad as it was in the last decade.

Mr. REDLIN. Thank you.

Mr. OLSON. Are there any other questions?

Mr. West, I have a couple. You are a member of a cooperative?

Mr. WEST. Yes.

Mr. OLSON. Do you feel that this will help you or strengthen your bargaining position, if there are any further threats from vertical integration?

Mr. WEST. I think there is this possibility, of course. We are threatened, of course, with increasing competition from packers, and the co-ops would probably go back in the business, and some already have.

Mr. OLSON. And do you feed about a thousand head of hogs per year?

Mr. WEST. Yes.

Mr. OLSON. You raise them all yourself?

Mr. WEST. No. I buy feeder pigs, the same as I buy cattle, and I feed them out.

Mr. OLSON. Where do you buy the feeder pigs up north?

Mr. WEST. About half of them come from Wisconsin cooperatives, from feeder pig cooperatives.

Mr. OLSON. And where do you get the other half?

Mr. WEST. The other half I buy locally from farmers.

Mr. OLSON. Your operation is a level year-'round type?

Mr. WEST. Yes. I keep the lot full, about 250 head.

Mr. OLSON. I see. Do you market them through the public yards, the terminal markets?

Mr. WEST. We have two—or one packing plant in Perry, which is a very good outlet for hogs. We also have several here in Des Moines, which are close, too. I get bids from all of them myself.

Mr. OLSON. Do you raise your own feed?

Mr. WEST. Yes.

Mr. OLSON. Are you in favor of contracts?

Mr. WEST. Not necessarily, no. I can't see—there again it would take some of the risk out of it, but taking a risk is how you make some money, occasionally.

Mr. OLSON. You mentioned one thing in your response to an earlier question that was in relation to the costs that the integrators are forced to meet; and you stated that you felt that these were what enables you to compete as a family farmer. You mentioned one of the costs that they have as that of labor, and the fact this cost was, if anything, going up.

Mr. WEST. This is true.

Mr. OLSON. Would you care to expand on that? Do you feel this is an area where it would be advisable that they do have a minimum standard, as far as costs, as far as costs are concerned, when they compete with you in this area?

Mr. WEST. There again that is prescribing a certain minimum wage, which seems to be, on the face of it, it would seem to be all right, but here again the law of supply and demand, at least in my territory, and I think that this is true and it pretty well takes care of the minimum wages in my particular area, are far above the minimum wage now. You can't hire anybody for less than a quarter over what the minimum wage is, simply because they are not there. With a packer-feeder they will be governed by regulations. They already have 40 hours a week. In I have to put in some extra time, I can do it on my farm, but with a packer, well, they must stay with the 40 hours a week or pay overtime.

Mr. OLSON. That is, of course, the very point that I am trying to get at and to get a little further discussion on. I do not believe the packer-feeder is limited to 40 hours a week. Do you recommend that he be under such a regulation?

Mr. WEST. He is not limited by law, but he is limited by the fact that so many other people are on a 40-hour workweek, that whomever he hires he is going to have this kind of thing understood before he begins working, probably.

Mr. OLSON. You feel that he is in effect already covered by the law, so far as practical application is concerned?

Mr. WEST. That is true.

Mr. OLSON. And you feel this has helped in competitive situations to make possible your competition with the packer-feeder?

Mr. WEST. I think this is true.

Mr. OLSON. Now, one last question. You made reference to the fact that it might well be advantageous for the packer to have a small or nominal supply of livestock to keep his facilities running, so he wouldn't have to shut it down. I think you said something about that. We won't try to pinpoint the percentages. Do you feel that if this same packer just upped the price of the market that he could get this supply more readily, than being concerned about raising it, and then being concerned about having raised it and fed it, a head of livestock, a steer, for 120 days? How in the world would you forecast 120 days later there is going to be a shortage of supply on the market, so his employees wouldn't be laid off work? In other words, he would anticipate this whole situation and have some steers to the market and not have any idea what he might need. Do you think it would be cheaper for him to go on the market and pay up a little bit and carry some over for the next morning?

Mr. WEST. Yes; but he can't buy them, if they are not there, no matter what price you offer. This happened in hogs this winter. Our local plant in Perry was bidding $28\frac{1}{4}$ one day, but they couldn't get any hogs, because there weren't any hogs ready to be sold at that time. The run was very small at that time.

Mr. OLSON. Did they shut the plant down?

Mr. WEST. Yes, they did.

Mr. OLSON. They did?

Mr. WEST. Yes, for about a week.

Mr. OLSON. Did they try paying $28\frac{1}{2}$?

Mr. WEST. I don't know. I don't think they did.

Mr. OLSON. Thank you. No further questions.

Mr. WEST. Thank you.

Mr. OLSON. Mr. Sidney Gross, from Osceola, Iowa.
You may proceed, Mr. Gross.

**STATEMENT OF SIDNEY L. GROSS, CATTLE RAISER AND FEEDER,
ALSO IN THE CAPACITY OF VICE PRESIDENT OF THE IOWA
FARMERS UNION, FROM OSCEOLA, IOWA**

Mr. GROSS. Mr. Chairman, Members of Congress, and other distinguished guests:

It is indeed a pleasure to present this testimony, not only in the capacity of vice president of the Iowa Farmers Union, an organization of some 5,000 active farmers dedicated to the maintenance of the family farm, but also as a cattle raiser and feeder in my own right.

It is well known that Iowa Farmers Union, through its resolutions adopted annually, has long advocated the limiting of vertical integration because of its built-in ability to control markets.

Mr. Ken Schuman, president of the Iowa Farmers Union, has gone into this in more detail, so I will review the situation from a more personal viewpoint, that of both a cattle raiser and feeder.

We have a herd of registered Hereford cows, numbering about 80 head, on our 460-acre farm in Clarke County, which is located in the bluegrass region of southern Iowa. Besides caring for this cow herd, we annually feed out about 60 head of calves to choice or high-choice grade beeves. My good wife and I perform most all the labor used in this operation. We, therefore, feel well qualified as a spokesman for the family-type cattle raiser, feeder-farmer.

In the feeding operation, we do not fear the independent feed yard, no matter how big. We may handle the cattle differently, use different feed formulas, but as long as we meet in the marketplace on equal terms, this is legitimate competition.

What I, as an independent feeder fear, is the way in which the thousands of heads of captive cattle under contract or owned by the packers can be used to manipulate the market for their own benefit, for these cattle need never enter the open market, but they can go directly to the kill at such time and in such way as will prove most beneficial to this integrated operation. This will always work to the detriment of the independent farmer-feeder.

If there are no restrictions placed on these vertically integrated operations, they will, in a short time, force many farmer-feeders to lock their gates and cease feeding operations. When that happens, what becomes of the market for the thousands of feeder calves raised on the rolling grass farms of southern Iowa?

There were 18,000 calves raised in Clarke County alone, in 1965. Today these calves are marketed mostly through the local auction markets. Farmer-feeders attend these sales in large numbers to bid in open competition for this livestock to fill their feeding needs. When the number of buyers are limited to a few well-disciplined bidders, representing these concentrated feeding establishments, this will have grave consequences for the cattle raiser, too.

The board of directors of the Clarke County Cattlemen's Association, representing an organization of the cattle raisers of the county, are well aware of these consequences. At a meeting on April 14, 1966, they unanimously passed a resolution supporting the Bandstra bill,

and directed that this resolution be filed as part of this testimony, and I have the resolution with me and it reads as follows:

We, the elected board of the Clarke County Cattlemen's Association, in the interests of protecting and promoting open and competitive markets for our feeder calves, which are the products of our labor and our farms, and which account for a large part of our subsistence for our families, do hereby endorse and recommend for passage the Bandstra Bill, H.R. 12115. This bill prohibits the feeding of livestock by packing companies doing over \$1,000,000 annual sales.

We believe the best interests of Clarke County, The State of Iowa, and the United States as a whole, will be best served by enactment of this bill.

(S) ROBERT C. COOLY, *President.*
 (S) JIM HANDROCK, *Secretary.*
 (S) MERLE S. KLEIN, *Director.*
 (S) HARL L. LANDPHAIR.
 (S) LELID HUNT.
 (S) MERRILL H. McCARTY.
 (S) GARY GONSETH.
 (S) CLINTON MULLEN.

Dated April 14, 1966.

In an attempt to discredit the need for restrictive legislation, and contrary to their announced intentions, much will be said by the packers about the small amount of cattle presently being fed and marketed by them. This is the reason this legislation is needed now, to keep it that way.

After the feed yards are built, our marketing methods disrupted, and our farmer-feeders phased out, it will be much more difficult to force the breakup of these integrated operations. It will be the old story of locking the barn after the horse is stolen.

The present Packers and Stockyards Act, wherein it prohibits the packers from engaging in the retail meat business, is a precedent of long standing for this legislation. However, I would like to suggest that chainstores be included in this bill. It seems to me that a retail chain, engaged in the feeding of livestock, with processing done on a contract basis, would be as much of a vertical-integrated operation as the packer-feeder, and be in an even stronger position to dominate the market.

In closing, I would like to remind the members of this committee and the other Members of Congress, who I hope will have the opportunity to support this bill, that over the years, through good times and bad, through wars and drought, the family farmer-cattle raiser and feeder has provided the people of these United States with the best food possible to produce and at a reasonable cost to the consumer. And there is no reason that he cannot continue to do so, if the Government will maintain an open, competitive marketing system.

To prevent monopoly by vertical integration, as one of and as a spokesman for the thousands of family farmers, I trust you will give the Bandstra bill, H.R. 12115, every consideration and submit it to the full House for passage.

I would like to make one more comment in closing: That is, this could very well be the most important bill that has come before Congress in the way of farm legislation, because of this bill, or some bill similar to it, if not passed will be the green light for packer, chainstores, and feed companies to go into the farming business in a big way.

I thank you for this opportunity to appear before you today.

Mr. OLSON. We appreciate your statement this morning very much, Mr. Gross.

Are there any questions?

Mr. GREIGG. I have no questions.

Mr. OLSON. Mr. Bandstra?

Mr. BANDSTRA. Yes. Mr. Gross, I want to thank you very much for coming all the way from Clarke County to come up here and present a very well thought out statement, and right straight from the grassroots.

Some of these witnesses have suggested that we adopt a wait-and-see attitude and sort of go to the packers and suggest that maybe they ought not feed this cattle. What is your thinking as to the possibility of something like that ever succeeding?

Mr. GROSS. Well, sir, I just don't think it would ever succeed. It is a moneymaking operation, and I think that is what most everybody is in business for. It would be very difficult to arrest it with a voluntary attitude, because I think they are in business to make money.

Mr. BANDSTRA. And would you agree with the fact that the packers, the five large packers that were included in the 1920 consent decree, didn't even comply with the decree until about 1930 shows pretty good evidence that they don't ever have any intention of doing anything voluntarily that would somehow infringe upon their economic advantage?

Mr. GROSS. I think so, and as I said in my statement, after the feed yards are built and the operations are set up, it is much more difficult for them to divest themselves from such an operation.

Mr. BANDSTRA. We heard the same testimony from the people with the poultry industry, as well as the persons who appeared here this morning with the turkey industry.

What do you think about the proposition, Mr. Gross, that has also been suggested that we just let this packer feeding mushroom both by way of packer feedlots and contract feeding, and then let the family-size farmers, whom you represent, combat it by setting up huge cooperatives, which would also feed cattle in order to somewhat protect the farmers' interest? Would you prefer that approach over the one of some type of legislation?

Mr. GROSS. No, sir; I would not. I think that we, as family farmers, have one job to do, and that is to produce food. The packer processes the food and the retail merchant retails the food. This is one approach that could be used, and the only way that I would be in favor of it would be a yardstick. You can't only go into packing business, you have to have a retail chain to do it to find out where the retail profits are.

I would like to see it where it would maintain each operation on it as a separate entity.

Mr. BANDSTRA. In either event, the farmer you represent, and whom you want to keep on the land—he would go down the drain?

Mr. GROSS. Yes; he would.

Mr. BANDSTRA. He would either be feeding on a contract with the family cooperatives or with the packers?

Mr. GROSS. He would be just a hired man, eventually, or he would be off the land entirely. It would be one or the other. The packer must have his cattle to get the kill.

It seems to work the other way with me. When I take the cattle to Omaha, it seems to me that there are too many cattle there every time I go, and the price goes down.

I think if he would offer a little more, when there are enough, I don't think there is any need for them to be in the business.

Mr. BANDSTRA. Thank you, very much.

Mr. OLSON. Are there any questions? Mr. Schmidhauser?

Mr. SCHMIDHAUSER. I have no questions, but I want to compliment Mr. Gross for a well-prepared statement.

Mr. OLSON. Thank you, Mr. Gross.

Mr. GROSS. Thank you, sir.

Mr. OLSON. Mr. Clarence Pickard.

You may proceed, Mr. Pickard.

You may sit down, if you wish, sir.

STATEMENT OF CLARENCE PICKARD, RETIRED FARMER AND FARMOWNER, FROM INDIANOLA, WARREN COUNTY, IOWA

Mr. PICKARD. Thank you. At the outset, Mr. Chairman, I should like to take this opportunity to commend Congressman Bandstra and this committee for coming out to the Midwest. And, while I am a Republican, I am compelled to acknowledge that it seems as though it takes the democratic administration to come out here to the grassroots, where we can have a crack at them. It has happened before.

Now Mr. Chairman—

Mr. OLSON. You may sit down, sir.

Mr. PICKARD. I would prefer to stand up. If I get a little beat, then I will sit.

Mr. OLSON. Very well. If you want to file your statement verbatim, and then discuss it, that is fine with us; or if you wish to read it, go ahead and read it.

Mr. PICKARD. Well, no longer than it is, I think I can read it through and then discuss it, if you wish.

Mr. OLSON. All right.

Mr. PICKARD. Mr. Chairman, my name is Clarence Pickard. I live at Indianola in Warren County. I am a retired farmer and farmowner.

My interest in this proposed legislation stems from my training in agricultural economics and marketing, also my later experience with various livestock and grain cooperatives, and, finally, as a producer member.

I am naturally interested in any significant action affecting the flow of farm products from producer to consumer.

I am also a taxpayer, and I look with disfavor on any market meddling that would increase public expense, if it can possibly be avoided by either private or cooperative endeavor.

I am also a consumer, and I look with equal disfavor on any needless processes or requirements imposed upon the marketing mechanism that will raise the price of meat to the consumer or force down the price received by the producer.

Now what is the livestock problem, or marketing difficulty that this bill proposes to remedy? Let's go to the bill.

It would prohibit any packer who does over a million dollars worth of business from feeding livestock or even contracting with anybody else for the feeding of livestock.

Is this feeding game such a ball that we must restrict those who engage in it?

I submit that if you want to cramp the style of the large packers, about the quickest way to do it would be to force them to try to make a profit in the feeding business.

I talked to one the other day who tried it voluntarily, and he said he lost \$30,000 so quick he didn't know what happened.

Another thing, if the livestock feeding business is part of our free enterprise system, why do we have to have legislation to determine when the packers, or anyone else, may engage in it? I have always been under the impression that anyone was allowed to go broke in any lawful business he chose.

Why does the bill cover only those packers in the million-dollar class, when a recent study made at the Iowa State University at Ames, and based on reports filed with the Packer and Stockyards Division, shows that for every single year from 1956 to 1964, inclusive, the number of cattle fed by the 10 major packers was less than the number fed by other packers? And for every year during the same period the number of hogs fed by other packers was more than 13 times the number fed by the 10 major packers.

So, if this bill is designed to curb any potential mischief by packers engaged in the feeding of either hogs or cattle, then it would appear to have badly missed the target.

One might suspect from this that the dire consequences of permitting the large packers to enter the feeding business was more imaginary than real.

Again let us consult the facts as to the extent of present day feeding operations by packers.

In the study previously referred to for the last 2 years available, 1963 and 1964, we find that only 1 out of every 17 head of cattle and calves marketed in 1963 were fed by or for packers, while in 1964 less than 1 out of every 18 head marketed were fed by packers.

Furthermore, note that the trend is downward. Whatever may have been their motive, packers appear to have found it, feeding that is, less and less attractive.

In fact, for the whole United States—30 States reporting—in 1963 only 7.4 percent of all cattle fed and marketed was fed by packers. In 1964 only 6.5 percent was fed by packers. Note the trend was downward.

Packer-feeding would not seem to be a very ominous threat.

At this point I want to interject that if it should be found to be so, that there is or has been or might be a significant threat, there are two things that might be done: Government intervention or cooperative intervention.

Now the cooperative enterprise is accepted in America as part of our free enterprise system. It is a movement that has had experience and called into play as a kind of a market governor or controller of our producer to consumer. I think we should give it full play, and, as one who has worked with cooperatives, that is one thing I am very deeply interested in.

I asked one packer: "If this bill passes, which would you give up, the feeding business or the packing business?"

"I've already given up the feeding business," he said. "No packer can compete with the experienced feeder with plenty of know-how and financing," he declared.

Another packer I talked to recently explained that Monday morning was a headache because they often did not have sufficient stock on hand to start their killing operations. This is particularly true where the packer is not well situated in relation to his procurement area. Their overhead expenses start at 6:30 in the morning, whether they have any stock on hand to kill or not. This is said to be a factor in the dispersion of new plants closer to cattle and hog suppliers.

A few years ago I visited a new hog-feeding setup owned by a small packer in Arizona who was said to be interested in testing new feeding methods. This winter I happened to be down there and I called again at the same plant to find not a single market hog in the place, only breeding stock. He had changed to a program of developing better breeding stock for use by his suppliers.

While I hold no brief for the packers, and must assume that they buy as cheap as they possibly can, yet I am convinced that their chief concern begins with the consumer, whose whimsical and changing demands have to be met in some fashion. Getting a sufficient amount of quality meats from the kind of livestock available for purchase is not always easy.

I have the feeling that we, as producers, have inadvertently missed the boat at this point. We have sort of compelled the feeders to frantically search for a way to get better quality stock into their plants.

I believe that nothing would please a packer more than to find the efficient, trained volume feeders in his area joining together in a contractual agreement to breed and feed to certain set standards of quality in stipulated volume and timing, and then let the packers bid on a contract for schedule of deliveries to meet their demands. This kind of collective bargaining would become merchandising of a high order. It would so far transcend the indiscriminate dumping we are accustomed to, which prevents the small farmer from getting the better prices.

I deplore the proposed legislation in this bill for the way in which it obscures the producer's real problem and the answer to it.

As long as we keep kidding ourselves into thinking we can produce as individuals and yet market collectively, no new laws can help. We must trade our independence in for interdependence.

The way to a just share of the consumer's dollar begins first with the cooperating producer, who must then learn to produce standardized quality to specification in order to establish a position for effective collective bargaining with the processor or the consumer, be that accomplished by private or cooperative enterprise.

Now, in summary, I am opposed to this bill because—

1. I think it is sparked by political opportunism resulting from the failure of some producers and feeders of livestock to face up to the reality of new economic forces being felt in livestock production and marketing today. For further explanation of this, go to paragraph 9 on the next page.

2. It would tend to increase the number of inefficient marginal producers that would continue to hang on and clutter up the livestock industry.

I am not referring or making any disparaging references to the family farm. We have some pretty smart operators right in my county, who are college graduates, and who are operating as a family unit, and they know all about meat-type animals, and I know they are not having any trouble with marketing problems.

3. The bill poses no problem for solution, but simply prohibits packers from free choice of lawful enterprise, and limits the right of contract—both of which may be unconstitutional.

I understand that some of the people at some of the institutions are looking into the constitutionality of this very bill in reference to contracts.

4. It invites the packing industry to retaliate. And they could by asking for legislation to prevent producers or feeders or their cooperatives from operating packing plants, integrating any processing and distributive functions, or making any investment in same.

It is a shoe that could be put on the other foot, and I hope that our Government, or the people that are interested in this legislation, will see that it doesn't carry with it a rebound that might react to the detriment of the very people that it is designed to help.

5. Any packer found in violation of the antitrust law by achieving monopoly control or unlawful restraint of trade could surely be prosecuted under existing law, without the additional legislation called for in this bill.

On that point I am just putting it out as a question. If it can't be, then some kind of legislation is properly in order.

6. Inherent in this bill are well-known dangers: The extra costs, restrictive controls, and inconveniences that inevitably come along with Federal supervision or administration, increasing producer and consumer costs.

7. This bill, by inference, denies the existence of agricultural cooperatives and their function as a facility through which producers may, at times, constitute a counterbalance to private enterprise operators; and at other times even integrate some functions to bring marketing control of their products, and collective bargaining nearer to the consumer.

8. This bill is founded on and reflects the false and now outmoded philosophy that all farmers and producers are isolated, dispersed, uncooperative, helpless, and in need of being politically nursed by Government.

I don't think this is true.

9. Furthermore, it ignores the new realities of interdependence, mechanization, automation, specialization, and the need for more imaginative farmer cooperatives to achieve the economies of larger producing and marketing units in keeping with commercialized agriculture.

10. For these and other reasons, Mr. Chairman, I am convinced that this proposed legislation is irrelevant, unnecessary, and, if passed, would be inimical to constructive progress in more efficient production, feeding, and marketing of farm products.

Thank you.

MR. OLSON. Mr. Pickard, you obviously have done some work on this legislation. You know it quite well, or you have at least studied it, so that you have come to some very solid views of your own, and you

are concerned over whether or not the Congress takes favorable action on this bill, H.R. 12115.

You indicate you are a retired farmer and a farmowner. You have not been actively engaged in farming or any occupation, that would be so construed, for how long?

Mr. PICKARD. Since 1957.

Mr. OLSON. And your ownership, you own a family farm? Or how large is your farm?

Mr. PICKARD. I own a family farm and we operate it through a family corporation, of which I am president and general manager.

Mr. OLSON. How large is this farm?

Mr. PICKARD. It is only 160 acres. Last year it was rented to a cattle feeding corporation, and previous to that the land itself was in the soil bank for 5 years.

Mr. OLSON. I see. How many cattle were raised on it last year?

Mr. PICKARD. I would suspect around 200, 300, 400 head.

Mr. OLSON. And you indicated that you are in favor of contract approach in this area; is that right, Mr. Pickard?

Mr. PICKARD. Yes, sir. I think the principle of the contract must be preserved as a part of our free-enterprise system, and when we undertake to delete it from our marketing system at one point it calls into—it calls for the necessity or the logic of having it cut out in other areas.

In other words, I am afraid that if packers are prohibited from making these contracts that are mentioned in the bill, they could or might present or secure legislation, or at least clamor for it, that would prevent producers from carrying their cooperative efforts further on for their own benefit.

Mr. OLSON. Are you, on your own particular farm, on the basis of your views—since 1957 it has been in the soil bank?

Mr. PICKARD. Yes, sir.

Mr. OLSON. And now last year it did not have a family operator who would choose to make contracts with someone or market his livestock in some other manner?

Mr. PICKARD. That is right. The feeding operation last year was carried on by a private corporation.

Mr. OLSON. Previous to that you weren't engaged in the livestock business at all since 1957?

Mr. PICKARD. I had a dairy marketing enterprise up to that time.

Mr. OLSON. Up to that time? You mean up to 1957?

Mr. PICKARD. I am still a member of the Holstein Producers Association of America. I sold my registered herd out when I retired.

Mr. OLSON. You have never been in the livestock feeding business then?

Mr. PICKARD. Oh, yes. I fed out cattle and marketed to Omaha steers by the carloads, while I was operating and while I was in the dairy business.

Mr. OLSON. You fed out cattle for packers?

Mr. PICKARD. No. I bought the calves and raised them a couple of years, and then I fed them out the next year.

Mr. OLSON. And you did this without any relation to contract feeding?

Mr. PICKARD. That's right. There was no connection with a cooperative in that endeavor.

Mr. OLSON. This was entirely an operation on your own, and you marketed these fed cattle at public terminal markets?

Mr. PICKARD. That's right.

Mr. OLSON. What about the contract route, as far as Mr. Brindle described it this morning? And, admittedly, we are in another area, but would you say there is any chance of it getting to the point that you are not offered the opportunity to contract what you are indeed forced to contract, and all the problems that involves? Do you think that this could happen?

Mr. PICKARD. I am not sure I followed his presentation this morning.

Mr. OLSON. He pointed out that he was forced to enter into a contract this year in his turkey operation, because he could not find a market for his turkeys, and then he went on to point out the price or the determination on which his price is based is certainly not a very valid one. Sometimes there is not even enough turkeys sold to establish a price, and yet his contract refers to his price being established in a public auction or public exchange.

Do you think that the livestock business, the livestock feeding business could get this bad?

Mr. PICKARD. I would really hope not. His experience calls to mind the broiler enterprise, and I was engaged in it for a few years.

I have found out the end of that road. When I took my broilers to the market I found out. The packer said, "You have nice birds. I wish I had a chance to get a bunch like this every so often, but you have only got a hundred, a couple hundred head here—birds, and I can't do anything for you." So I saw that I had to be in it in a big way and have a chance to engage with other cooperatives, and to cooperate with other producers to get the kind of market I was looking for.

Mr. OLSON. Did you proceed to do that?

Mr. PICKARD. No, I did not. I changed my enterprise.

Mr. OLSON. You changed it? Did it present any difficulties to seek this other association that you have said would be a logical course to follow? Did that present the type of difficulty that forced you into another type of business?

Mr. PICKARD. Well, to some extent, yes; and other enterprises looked better to me, and it seemed to me that the broiler business was so highly specialized and lent itself to being engaged in by well-heeled operators that could introduce economies, that I couldn't afford to start with, that I just shut the door.

Mr. OLSON. You were, because of some of the things that might have been pointed out, being driven out of that business, and you went into one that you thought was more lucrative?

Mr. PICKARD. That would be another way of putting it; yes. I will admit it is one thing to stand up here to tell farmers they ought to cooperate and they ought to consolidate, and they ought to get their product standardized, and they ought to—and all that, and organize a cooperative to do their marketing for them, but it is quite another thing to get it started, and to carry it on successfully. It takes a lot of doing.

Mr. OLSON. Are there any questions? Mr. Greigg?

Mr. GREIGG. Mr. Pickard, on your first statement in your summary, I would like for you to expand on that just a little. You said you feel

this bill was sparked by political opportunism resulting from the failure of some producers and feeders of livestock to face up to the reality of new economic forces being felt in livestock production and marketing. Are these failures individual family farmers?

MR. PICKARD. Lots of times they are. Like I was one of them, for instance, with my little horse-and-buggy farm of 160 acres. That is not even a farm for today's business for farming a family-sized farm, particularly if you are going to raise crops. The only way that I can make it go is to give up raising crops and buy them from northern Iowa where farmers were operating with six-bottom tractors and plows and could produce their corn a lot cheaper.

I put my land into alfalfa and things of that kind. It is possible to increase one's size of one's unit by expanding the enterprise without increasing the acreage, and a lot of farmers are doing it; but, as you well know, farmers, generally, throughout the entire country, are scrambling for acres to increase their efficiency and utilization of mechanization. Instead of two-row machinery, which I sold out when I quit farming, the man who plowed my field this fall, this spring, went on there with a six-bottom outfit.

We have to acknowledge this kind of technology is upon us, and we can't stop it by any power that I know of. It is economic pressure and force, and we have to acknowledge it and recognize it, and fit ourselves in it.

MR. GREIGG. What is your classification of a "family farmer" today?

MR. PICKARD. The size of the farm?

MR. GREIGG. Yes.

MR. PICKARD. Large enough to support the family.

MR. GREIGG. Large enough to support the family?

MR. PICKARD. Yes.

MR. GREIGG. 180 acres cannot support a family farmer?

MR. PICKARD. I have given you the same answer that Lincoln did when a man asked him how long a man's leg ought to be. That is the way that I am going to leave it. It can vary all the way from 10 acres on up, and there would still be enough there, if he knows his business and has a concentrated business. If he had beekeeping, and maybe had the production of some exotic kind of product that no one else would think of, and all that sort of thing, he would take less acreage than some other person who didn't have this type of concentrated business.

MR. GREIGG. Just a couple more questions. Do you feel a farmer competing today with vertical integration and not successful in so doing competitionwise is a failure?

MR. PICKARD. No, I wouldn't say he was a failure, but he is under the necessity of adjusting his operation, and if he can't do it privately by associating himself with the son-in-law, or his brother, and have a larger operation, why, he had better think about cooperative enterprise or else he should change his business or his enterprise.

MR. GREIGG. Just one final question, Mr. Pickard. You have made some very, very strong statements here. Do you, at the present time, have any financial investments in any packing firms and operations?

MR. PICKARD. No, I do not, but that is only accidental. I have some investments in other areas, but I might even invest in the packing plants sometime, and I shouldn't like to see them legislate—see legislation that would prevent me from so doing, if I thought it was good

business to do that. That is one of the things that I am skeptical about in connection with this bill.

It seems to me to be a little arbitrary in the investments that farmers may invest in, and if free enterprise means what it says, it means free enterprise for the packer and for the producer.

Mr. GREIGG. Thank you.

Mr. OLSON. I just might comment here that I would hope that you would never bring such testimony to Washington, because we have a hard enough time convincing our other colleagues, who are not from rural districts, that farmers need help, and investing in packing plants might not impress them that we do.

Mr. PICKARD. I have no intention of being there.

Mr. OLSON. Mr. Redlin.

Mr. REDLIN. Having been associated with farmer cooperatives, Mr. Pickard, I would—it is Pickard [sic] or Pickard?

Mr. PICKARD. It is either way. I call it Pickard.

Mr. REDLIN. Do you honestly believe, or are you aware of any intentional serious efforts for cooperatives to go into the packing business? Are you aware of any move, whatever, in any quarter whatever?

Mr. PICKARD. No, I am not. I do know from my study of the subject that attempts have been made in the past for the formation of farmer-packinghouses, and they actually started some of them, but they didn't get off the ground very good.

There may be some reasons for that, that I should mention. One is the packing industry has some checks on it. For example, meat is meat and the consumer can jump in his pickup and go out in the country and slaughter a calf and bring it home and put it in the freezer, assuming of course he made arrangements with the farmer.

The point is the distance isn't very far from the producer to the consumer when you cut out all the specialized functions that are carried on from the producer to the consumer. They are our private enterprise system that has—in its flexibility—has grown up in a way so that cooperatives may enter some function, and no other private enterprise is all the way through and in turn there is a check upon the cooperatives.

You have been in cooperatives, and you know they get slack, sometimes, and lapse into inefficiency and waste. And the private enterprise should be right there, and usually is, to jump in and compete.

Mr. REDLIN. Mr. Pickard, realistically you do not believe yourself—and I am not trying to put words into your mouth—the co-op way of remedying this problem really has no movement behind it and really probably is not a very good suggestion for the remedy of the packer-feeding problem?

Mr. PICKARD. Well, I know of no movement myself.

Mr. REDLIN. OK. That is fine. Now may I ask you another question, Mr. Pickard? How do you think livestock prices are determined today? Do you believe the terminal market is determining livestock prices?

Mr. PICKARD. Well, we all have been raised on the terminal market, and it has become of less and less importance in later years, and at the start would seem to me that it was a fine thing to have an open market that was established, that was fair to everybody, but here

comes this direct buying business, that you know all about, and it sort of twisted the picture. We don't have as much stock going to the central market, as near as we used to, and that probably makes a difference in the extent and the efforts to say whether the market is established centrally.

Mr. REDLIN. Excuse me for interjecting at this point, but I want to get this in here. Now you seem to be very strong for contract feeding. As a contract feeder what does he use to have some idea to know or to think or to see that he is getting what he thinks he should have or should get?

Mr. PICKARD. I think the contract he is into sets that out. I have never been a contract feeder. I don't believe I should answer that question, never having been a contract feeder.

Mr. REDLIN. Well, would you say that the individual who is a contract feeder uses the quotations of the terminal market as a basis for deciding what would be fair in the contractual arrangement?

Mr. PICKARD. Well, I have to look at this from the standpoint—from a potential or assumed cooperative enterprise now. Now I must look at this as if it were a cooperative enterprise looking for a chance to market their product, assuming that it is a cooperative enterprise.

Mr. REDLIN. I am talking about the individual.

Mr. PICKARD. Maybe I have not answered your question at all.

Mr. REDLIN. Sir, I am talking about the individual who is contracting for feeders. Do you believe that he uses the terminal prices quoted from day to day in all of the papers as a major portion of the basis of his agreement or contract relationship with the feeder—excuse me—with the buyer, the packer in this case?

Mr. PICKARD. Well, when I sold hogs and cattle I contracted with the packer as a producer, even if it was only on the telephone amounting to an agreement on the price. I would still call it a contract.

Mr. REDLIN. Yes, sir. What did you use to determine in your mind, in your own mind, whether that price was fair or not? What made you agree to go into the contract?

Mr. PICKARD. Well, I think some of us do it one way and some another, depending upon what your inclination or information is.

I use the market news service put out by the State college, and that is available from the local buyers' yards every morning at my town. And I also use the daily paper and its markets showing the terminal markets.

Mr. REDLIN. You have answered my question. Thank you.

Mr. OLSON. Mr. Bandstra, do you have any questions?

Mr. BANDSTRA. Mr. Pickard, certainly I want to commend you for the time and the effort you have put in this statement, even though you and I might not necessarily agree on whether the legislation is needed or not, or whether it is even sparked by political opportunism.

I was interested in your testimony as to how you went out of the broiler industry, and I think it is only fair to say that you were forced out of it because you had these fine finished birds and no way to market them; is that correct?

Mr. PICKARD. I didn't get the kind of price that I thought I ought to have, and, more than that, it looked to me like I would be up against the same kind of disadvantage every year from then on.

Mr. BANDSTRA. Yes. And it was true that the broiler industry was by that time, and is now, about 95 percent vertically integrated?

Mr. PICKARD. I suspect so.

Mr. BANDSTRA. Do you think that is good?

Mr. PICKARD. Well, I have to feel, if I am going to stay with the private enterprise system, and they affect me as an individual producer, I have got to put up with it or find a way to play this game cooperatively.

Mr. BANDSTRA. In my judgment you have just put yourself against all the antitrust laws we have in the country, which prohibit monopolies or even unfair competitive practice, because this is all they do, and you regard this as being in opposition to the free enterprise system, and, of course, you are for the free enterprise system, as I am, and you feel this opposes a free enterprise system; therefore you have to oppose all these antitrust laws, too.

Mr. PICKARD. Well, I am glad you mentioned that.

Mr. BANDSTRA. I perhaps shouldn't have neglected to.

Mr. PICKARD. But I am very adamant, personally, upon the point of the public being protected, and the only way the public can be protected is through public bodies, and that is the Congress and the administration; and we don't have the right to legislate when private enterprise or cooperatives, either one, can solve the problems of which is demanded in the interests of the public, both consumer and producer. If they can't solve it, then we have a right to legislate. That is what our Federal Government is for.

Mr. BANDSTRA. Exactly. And if this committee should find, after hearing all the testimony, that in their judgment there is danger of monopoly—and we both agree that a monopoly is no good, because it destroys competition, and the very definition of the term monopoly means “no competition”—if a monopoly is shown to exist in the livestock industry as a result of the testimony, and the other evidence that we have, then, in carrying out the oath of our office, we ought to pass legislation which would prevent that monopoly from gaining control of the livestock markets?

Mr. PICKARD. That is absolutely my view; yes.

Mr. BANDSTRA. I think we agree.

Mr. PICKARD. I would like to say further on that point the public must be protected in that respect, and if that is the intent of this bill, why, I am for the intent of this bill.

Mr. BANDSTRA. That is the intent of this bill, and I am glad to have your support.

Mr. PICKARD. But the reason I opposed the bill is the language specifying provisions of contracts, and, it seems to me, that is not quite fair.

Mr. BANDSTRA. Let me clear that up, and perhaps you are the witness that I should do that with. There are two kinds of contracts in the cattle-feeding area, and in some of the other areas as well. One is by which the packer would obtain a proprietary interest in the livestock himself, so he would be free to call them in at any time he wants to. That would be one type of contract that would be covered by this bill.

There would be another contract, which you envision through a cooperative effort, whereby contracts would be made for future delivery at a certain date, but with no proprietary interest in the packer, which is not intended to be covered by this bill.

This is a different type of contract, a different type than they have in the poultry industry and the one which very unfortunately forced you out of the broiler industry a few years ago.

In my judgment the first contract ought to be covered and the second type should not be.

Mr. PICKARD. That could be. I feel that the antitrust legislation is a desirable and sound law, and I feel that private enterprise and cooperatives should be under restraint of Federal law, if necessary. In fact, you are probably familiar with the fact that some grapegrowers in California years ago tried to establish a collective bargaining price that the public—that the consumer and the public thought was too high, and the Federal Trade Commission indicted them and they paid a heavy fine; and that is the alternative. And I feel that we should rely upon the Government to come in and protect the general interests, and I gladly am for this.

Mr. BANDSTRA. I think that is true; and let me say, Mr. Pickard, you have come into this hearing opposed to the bill and you are going out in favor of it. I think you are one of the most effective witnesses we have had.

Mr. PICKARD. Well, you—I guess you should have the last word, and I shouldn't.

Mr. OLSON. Mr. Pickard, if there is one thing that I might conclude, that is that you show, and I am not asking a question now, but you just did show an amazing understanding of the situation when you last addressed Mr. Bandstra. And with that I wish to thank you. We thank you for your testimony.

Mr. PICKARD. Thank you.

Mr. OLSON. We will now go on to call Mr. J. C. Holbert, of Bettendorf, Iowa. (No response.)

I'm sorry. According to my schedule here, and my information, he will not testify today. He will not testify in person.

Mr. Gene Rathernel of Fort Dodge, Iowa? (No response.)

Mr. Walter E. Caldwell of Prairie City, Iowa? (No response.)

Mr. Steve Wachtel of Melvin, Iowa? (No response.)

Mr. Martin Barry of Estherville, Iowa? (No response.)

What about Mr. Ed Brobeski of the Glenwood Packing Co., at Glenwood, Iowa? (No response.)

Albert De Guess of Albia, Iowa? (No response.)

We will go back over this list, since there are no witnesses present whom we have just called.

If we have no witnesses, then we will obviously adjourn. Now we will give a final chance for the following witnesses to come forward and testify.

Mr. Myron Jepsen? This is the final chance for Mr. Myron Jepsen to appear. Mr. Myron Jepsen of Cedar Falls, Iowa.

Mr. JEPSEN. Yes.

Mr. OLSON. You may proceed, sir.

STATEMENT OF MYRON JEPSEN, CATTLE FEEDER AND FARMER FROM CEDAR FALLS, IOWA

Mr. JEPSEN. Thank you. Gentlemen, I would like to first compliment you on coming here to our great agricultural State of Iowa to

listen to the people who are the closest and most affected by the issues before us.

Second, I feel that possibly you would briefly want to know something of my background. I am a farmer from Black Hawk County, near Cedar Falls, Iowa. I have a 600-acre operation, of which approximately 325 acres are in corn. I will market around 450,000 pounds of live beef and about 264,000 pounds of hogs per year.

Now other background information, which may or may not be of interest, too, is that I have been farming since 1952, upon completion of my training in farm operations at Iowa State University.

Since that time, when I started farming on 80 acres, I have taken the time to help organize our County Pork Producers Association, serving on the board of directors 8 years and as president for 4 years. I was elected and served 6 years on the Cedar Falls Board of Education, 2 years as vice president.

In 1958 I received the Iowa Master Swine Producers Award and then in 1962 I was named Outstanding Young Farmer of Iowa. I have served on our church council, assistant soil conservation commissioner, and I am presently on the board of directors of the Northeast Iowa Boar Testing Station, advisory board of Sartori Hospital, extension development committee and some others.

It may sound as if I am boasting here to you, but my only reason in mentioning these to you is so that you may understand me better, so as not to think that I am some radical or some kind of a nut.

Concerning the issues at hand, in my opinion, the present feeding of cattle by the packers does not merit intervention by the Federal Government. However, if the trend is toward a rapid increase of contracting or feeding of livestock by packers, and by large food chain-stores, then this poses a most serious threat to the free-market system of pricing livestock.

Whenever the supply of a commodity or a substantial portion thereof at a given time is controlled by an individual or a similar group of individuals, this control will have a definite effect on that commodity. A very outstanding example of this, presently, is our corn commodity. We farmers do not have a free corn market. When the Secretary of Agriculture starts dumping Government corn on the market the price drops immediately. Of course, as a farmer, we are beginning to anticipate this, because it usually comes just prior to the signup time for the feed grain program.

I realize that the packer has had other problems, such as increased labor costs, modernizing plant equipment, and increasing production efficiency. The competition between packers to market their product to a very small number of large-volume buyers has added to their cost-price squeeze. Therefore, I question the reasoning of packer feeding to maintain an even supply, unless it is done to control prices.

The fallacy of not being able to buy the right kind of beef which the consumer desires from the farmer-feeders therefore they have to feed cattle to obtain this desirable beef does not exist entirely. For example, the pork-producing industry realizes, and research has established, that the genetic makeup of a hog contributes to the meatiness of this individual.

In other words, the loin-eye size and the amount of ham, plus the degree of back fat, are heritable, and we have been production testing

our breeding stock and selecting these more desirable characteristics, therefore producing a higher quality pork product that the consumer prefers. So it is with the beef industry.

They are just beginning to realize that this desirable carcass originates with the proper genetic makeup in selecting breeding stock with the desirable characteristics, such as more cutability, less fat covering, and more square inches of loin, that is, more red meat.

Granted, that overfeeding does contribute some to undesirable fat, but the pricing of beef is and will become similar to that of pork, that is, by paying a premium for the desirable and a lower price for the less desirable.

It has been stated that the farmer-feeder is too slow to accept the needed changes in producing desirable products, but, gentlemen, it is quite simple to say that with the small margins in the past—sometimes negative—all we need is the selling-price incentive and we will produce it.

It is true that the average age of the farmer is around 55 or 56 years, but many of the younger farmers coming up, and the present middle-aged group, are developing into what I call a new breed of farmers. This group are specializing in certain production areas of livestock or grain determined by their highly skilled management ability. They are developing these skills to the extent that they should be referred to as a professional pork producer or a professional beef producer, and so on.

This same group of beef producers are bidding more for production-tested calves, but unlike hogs it will take more time, possibly three times longer to change the genetic makeup needed to produce this meatier, desirable carcass. Herein lies an important responsibility of the rancher, therefore the packer should not be so critical of the feeder and use this as an excuse to feed more cattle.

Farmers are becoming less and less in number each year, but greater are the numbers who are willing to spend their time and energy to promote and protect the quality of food they produce. Never before are the reasons greater for this minority to represent themselves.

A good example was exhibited just over a week ago when these professional producers went to Washington to let it be known that we do not condone our Secretary of Agriculture's expression of his "pleasure at declining farm prices." Also, that pork should not be discriminated against because of its higher cost when actually pork prices have dropped \$8 a hundredweight.

Food is not the reason for an inflationary trend, because the farmers' share of the consumers' retail food dollar has decreased from 47 cents in 1952 down to 39 cents in 1965. Yet we get blamed for the so-called high cost of food, when actually the better quality, improved supply of food is a good buy, cheaper by 14 percent compared to increased levels of wages.

Now, in summary, I am presently against this bill to prohibit the packer-feeding of livestock, the main reason being that Government control usually upsets the whole industry, interferes with my belief of a free enterprise system and the law of supply and demand. The packer is one of my customers. I will argue with him, disagree with him, but I will also try to understand his problems. I am for competition, but not if it creates a monopoly or a control of livestock prices.

Thank you for your courtesy and patience, and thank you for listening to us.

Mr. OLSON. Thank you, Mr. Jepsen. There is some of your testimony that might not seem entirely relevant to the subject under discussion here, but yet it might be very relevant. So, if you don't mind, I would like to clear up a couple of those points with you.

First of all, corn certainly is related to the livestock feeding business, and would, in itself, I suppose, qualify to be referred to in your testimony, but you refer to the controlling of the price of corn.

What does this have to do with us?

Mr. JEPSEN. I used this as an example to point out the fact that Government control usually takes out the free market or enterprise with the law of supply and demand.

Mr. OLSON. Let's try to pursue this a little further to relate it to this. Does the Government by choice exercise control in this area?

Mr. JEPSEN. I feel that at times that they do, whenever they start dumping this corn. Whenever they start dumping this corn it is pretty obvious what the corn market does.

Mr. OLSON. Who raised the corn?

Mr. JEPSEN. Who raised the corn?

Mr. OLSON. Yes.

Mr. JEPSEN. The farmers.

Mr. OLSON. The overproduction of this commodity enables someone to get control, other than the farmer; is that right?

Mr. JEPSEN. Well, I'm not sure that I would label it as overproduction, presently.

Mr. OLSON. Well, now, if we follow this a little further to relate it to the livestock business, the controlling of the supply is very instrumental in determining price; is that right?

Mr. JEPSEN. Yes.

Mr. OLSON. Then are we not specifically coming back to H.R. 12115 when we discuss the control of supply?

Mr. JEPSEN. That is true. The question involved is possibly what degree.

Mr. OLSON. Well, then of course that also becomes a matter of concern as to the degree of Government intervention; is that not right?

Mr. JEPSEN. This is true, and I see the point you are trying to make, trying to get at. The only comment that I might make is—maybe I should keep still, except that the corn is usually released at one time, whereas the cattle being fed are usually available throughout the entire year.

Mr. OLSON. Well, maybe you and I shouldn't proceed any further in this area, but it does concern me, if it is there and no one has assured us that we will merely dump it in the ocean. It must be sold into a market system you respect and I respect, and we know we must do everything we can to maintain a free-enterprise system that adjusts supply and demand. It can only absorb as much supply as there is a demand.

Now what or how can you be so specific in your accusation and belief that corn is made available only at special times? Do you think the free-enterprise system assumes what time to buy corn during the year at a certain time and assumes when to store that corn until they can sell it at some other time when the demand factor is up?

Mr. JEPSEN. You are asking some of the decisions that the Department of Agriculture—the U.S. Department of Agriculture makes, and I can't answer that.

Mr. OLSON. They can only make such decision after they decide there has to be a buyer. They are paying a storage cost.

Mr. JEPSEN. You are referring to the buyer as the U.S. Department of Agriculture?

Mr. OLSON. Oh, no, sir.

Mr. JEPSEN. The Government?

Mr. OLSON. The seller in this instance is the Government.

Mr. JEPSEN. If you have the corn to sell you evidently bought it at some time.

Mr. OLSON. We bought it from the farmer, who actually overproduced.

Mr. JEPSEN. This is the point I am trying to make.

Mr. OLSON. That was some time ago. We are not dealing with the accumulation of the surplus that we have all been trying to correct. I feel we have. We have adjusted ourselves to the extent that we now have a market for the corn.

In other words, there is a demand so that we can sell the corn to meet the demand, otherwise, as proven at one time, you just can't sell corn unless there is a demand. Your surplus keeps getting bigger and getting bigger.

Mr. JEPSEN. I would like to ask you what do you mean as surplus?

Mr. OLSON. I will not attempt at all to define surplus. I will utilize the experience of the past in arriving at my estimation of what surplus is, and the best definition I can give you is that at one time I know the pile got bigger, as I said, and it is now getting smaller, and it is within this framework, the only framework that I have to work with as a legislator, and I think that we have come to at least the crux of the matter in determining that there must be a demand, and if you have a supply in excess of that demand, you are in trouble. Is that correct?

Mr. JEPSEN. We are in trouble a lot of times; right.

Mr. OLSON. But, frankly, we are in trouble if we have a supply in excess of demand?

Mr. JEPSEN. Well, it depends on what you mean by trouble.

Mr. OLSON. I am talking about relating this back to the livestock industry, and also trying to determine whether or not you would agree that we would be in an awful lot of trouble, and the trouble will increase as there is more control of the supply by other than family farmers?

Mr. JEPSEN. Yes, sir.

Mr. OLSON. Thank you.

Mr. JEPSEN. The point here, that I would like to add, is that I feel this way, that possibly, if this corn was not released on the market here in January and February and March, that very possibly at the time the corn prices were advancing, and we were experiencing, possibly, an expansion in the pork industry, and I think several farmers indeed would have asked themselves, "Should I get back into the hog business? Or should I market my grain on the market?" You see what I am getting at? I think the point is maybe minor. Who knows?

Mr. OLSON. Do you believe it would be fair for the Government to attempt to make such a determination as to effect the decision of farmers by manipulation of the supply of corn they have?

Mr. JEPSEN. No, but this is the point I originally tried to make. You are in the corn market and you do handle corn.

Mr. OLSON. The demand is there. Who buys the corn? The Government is the seller and the farmer is the purchaser; is that not right?

Mr. JEPSEN. Well, this I don't know, who all purchases the corn. I imagine the farmers purchase corn, but to what degree or as to how much they purchase, or as to what other channels it goes into, or how much goes into processing plants or is shipped overseas, I couldn't say.

Mr. OLSON. I shall not be presumptuous to tell you where the corn goes. Corn is a feed and it is consumed by farmers in the production of finished, or at least a more finished product, and if the price of corn would go up it would seem quite obvious that the Government could adversely affect the margin of livestock feeder and farmer by increasing, artificially, the price, by creating an artificial demand and holding back the corn.

One last question. You emphasized the fact that we needed to be aware of the demand of the market and to take advantage of efficiency and implement it in every way we possibly can, or we would not be competitive. Now this will bring agreement by all. I do want to ask you if you feel that we have competition from the packers in this area, and if we don't do this, will they do this? Will they do it, if we don't do it? Are they a threat to us in this special area?

Mr. JEPSEN. I feel they are a threat from the standpoint that if they fed enough of the supply that this supply then therefore will affect the price structure or the free pricing of livestock or free market.

I feel that possibly I am more integrated than they are, because I plant the seed of corn and I raise this corn, and I have a much more integrated system than he does, whereas he has to purchase and transport all of his material. If he thinks that there is money in the cattle business—some of these packers are in and have been in trouble financially. If they enter this solely for the purpose of making money, I feel that that is a challenge to me to become far more efficient and a better manager, and I should be able to compete.

However, if the feeding of this cattle and the supply becomes large enough that it has a tendency to depress the farmer-feeder cattle prices, then this is another point.

Mr. OLSON. I have no further questions. I think actually that is the point we are all trying to determine.

Mr. Redlin?

Mr. REDLIN. Thank you. I would like to ask you, sir, who is going to determine—What do you determine would become large enough—you say, "Yes, there is a problem and I think we had better look into it." What is that point? We keep trying to arrive at that point. A lot of witnesses say that the problem is there, but not yet big enough. When is "yes"?

Mr. JEPSEN. That is a real good question. If I were able to answer it, I wouldn't be out on the farm farming. I would be smart and wouldn't be out on the farm.

Mr. REDLIN. We had a witness say yesterday that he believes that it was already affecting the market.

Mr. JEPSEN. This is his opinion, and he is entitled to this.

Mr. REDLIN. You do not agree with that?

Mr. JEPSEN. Not presently, no.

Mr. REDLIN. When you sell your cattle, sir, how do you determine the price you think you ought to get for the cattle?

Mr. JEPSEN. My method of feeding is quite similar from year to year. That is in the basic feeding method on the feed. I watch the market very closely. I watch the dress beef the closest. This is the determining factor. I, as a feeder, a feeder feeding somewhat similar quality of cattle to the same degree each year, pretty well, pretty well know what these cattle are going to dress, and I merely multiply the estimate, the dressing percent and the dried beef price. I arrive at this market then.

I think this is the responsibility of the feeder to watch these markets every day, whether he is feeding cattle or not feeding cattle, because they have live futures.

Mr. REDLIN. Back in 1964, when they had the problem and things you refer to, did you see any daylight in the situation at that time?

Mr. JEPSEN. You mean in 1964 when we had a lot of heavy cattle and so forth?

Mr. REDLIN. Right.

Mr. JEPSEN. Well, the thing about that year, it makes the people more aware of some of their existing problems, lower prices, and there is an awful lot of concern about doing something about it then. People have a tendency to relax when prices are higher.

Another thing I am trying to say is I feel the good farmer and the cattle feeder that their responsibility should be at the same level all the way through with regard to prices and promoting the production and so forth.

In 1964 I tried to sell market cattle at a desirable weight. I tried to sell at what was in demand, and therefore I know that I achieved a more maximum amount of money from these cattle, because I marketed them at a weight where the cost of the feed of producing a pound of beef was still lower than some of these fellows feeding 1,500- to 1,600-pound cattle, and the demand was for this weight of cattle, and therefore I know my price was not good, but then in a free market with the law of supply and demand you have to take the ups and downs. This is why here in 1966 now and in 1965, and so on and so forth, we have had some good prices, some good cattle and hog prices, and I think the farmer is entitled to these years, so he can average them back, back over the last 4 or 5 years.

Using pork as an example, we have had to take 12 and 13 cents for those hogs, and I think we are entitled to these years, and are not to be discriminated against, and we can then average them out over the years.

Mr. REDLIN. You do look for the terminal market quotations in helping you make up your mind when you sell and what would be a fair contractual relation, if you went into it?

Mr. JEPSEN. No, sir. I look pretty much to the dress beef prices.

Mr. REDLIN. Is part of the reason you have not much concern for terminal markets is that you do not believe they any longer reflect the price you should be getting?

Mr. JEPSEN. I have sold on Kansas City terminal markets and Chicago. I have marketed cattle locally and at a more distant station up to a hundred miles. The cattle at the terminal market, their values, as far as setting the market, has decreased, but I am not saying that I do not value the terminal market setting the prices. I have not discounted them entirely, but I do not place as much value on them as I used to. I look at the dress beef market. This is the criteria, the dress beef.

How does the cattle buyer figure that price of cattle? The first thing he looks at is whether he can pay for dress beef, and he estimates the dressing percentage of the cattle.

Mr. REDLIN. What I am seeking to get at is the value or lack of value of the terminal market. You say in your decisions you do not deal with that as much as you do with the price of beef and loin—dress beef and loin?

Mr. JEPSEN. Yes.

Mr. REDLIN. And that is how you make your decision?

Mr. JEPSEN. Yes.

Mr. REDLIN. Where is the competitive factor arriving at that price?

Mr. JEPSEN. Well, this is a real good question. A year ago last August I was honored and privileged to be on a tour for 2 weeks of the meat industry in the eastern part of the United States, where naturally our large population center is, and a lot of meat is consumed.

I asked them the very same question that you have asked me. I asked quite a few individuals that held high office and control in this meat industry, and I was quite surprised. The answer to the question varied. I got varied answers to this question. I got answers from "I honestly don't know," to—I would say, "I realize you have to protect your customers." And he said, "No; I just honestly don't know."

Mr. REDLIN. Do you share the concern that some of us have that maybe the competitive factor is not working to the extent it should in that market?

Mr. JEPSEN. In the dress beef? I mentioned, in my speech here, that the packer is selling to a very few large volume buyers.

Now I didn't comment on that, whether this is good or bad, but it is a statement of fact, and if you have—if you as a packer have to deal with one or two buyers, it is not as easy as if you have got a dozen or 20 outlets for your meat.

Mr. REDLIN. Now one last question, Mr. Chairman, and I should be finished.

The packer, if he then is feeding and has control over the supply, and this is related to the question you just answered in regard to dress meat, he then is in a position to feed that clear on through to that dressed-meat market?

Mr. JEPSEN. Yes.

Mr. REDLIN. Yes?

Mr. JEPSEN. Yes.

Mr. REDLIN. Without going through the terminal market, or in anyway giving the farmer an opportunity of this remand bearing on the farmer offering that might go to the market that day?

Mr. JEPSEN. That is true.

Mr. REDLIN. Do you not see in that a limit to competition?

Mr. JEPSEN. Definitely, if it developed to a greater degree.

Mr. REDLIN. You agree with this and agree that it does, but you say it is not big enough yet so that you believe it needs the Bandstra bill?

Mr. JEPSEN. Right; right.

Mr. REDLIN. That's all.

Mr. OLSON. Mr. Greigg.

Mr. GREIGG. Mr. Jepsen, I am very much interested in your testimony. We have heard a lot about changes that have come to rural America. We have heard some people say that a renaissance has come to rural America. Now, Mr. Jepsen, when did the "new breed" you speak of come to rural America?

Mr. JEPSEN. This is, of course, my own term, but I have only been farming 14 years, and agriculture has changed so tremendously in the last 5 years, because of its technicalities, because of its technology, because of its transportation, and because of many things. And the thing that I feel—in the past the farmer has been an independent and sometimes blind individual, and he has been too independent, because he has been unwilling to look across the whole picture. He only looks across his own fence into his own hog lot, for example, but no farther. The farmer today has got to look not only across the fence into his neighbor's land, or just to the end of the road, but he must look to the consumers of our products.

I feel that there are enough farmers and these farmers are the better managers, therefore are the people that are feeding the larger number of hogs, for example, and therefore these gentlemen, being that they are better managers, more highly technical managers, and they do have a lot of responsibility of this product, they are more concerned to follow this product through and not to just get the highest dollar you can from the packer and drop it.

For example, as a commercial producer, I could slaughter all my hogs and sell them at carcass basis, if I wanted to.

In the past week I had three pigs slaughtered for representatives for research, and they found out all they could on these three pigs. This cost me \$12, but this is valuable information.

The thing I am trying to point out here is this "new breed" so-called in quotes, I feel they are the type of individuals who are going to be willing to spend extra money and extra time, and a very good example of this—and it has been way late in coming—is what the pork producers did in the State of Iowa last fall, and just recently where we went out on our own and we knew that the pork disease research in this State was at a very low ebb and that the poultry people were spending more money than the hog people. We raised over \$80,000 to support our own swine research.

Mr. GREIGG. Then primarily you base this concept of a "new breed" on one key word—"Management"?

Mr. JEPSEN. I think this is a very key word, yes.

Mr. GREIGG. Do you participate, Mr. Jepsen, in the feed grain program?

Mr. JEPSEN. No; I do not.

Mr. GREIGG. You do not?

Mr. JEPSEN. No; I do not.

Mr. GREIGG. Would it be your opinion that this "new breed" would so manage their operations that the feed grain program would not be necessary?

Mr. JEPSEN. I think these gentlemen are smart enough to realize the consequences; now whether they will have enough control over the—if they are raising enough of the corn to control any market, this I don't know. I'd hate to guess, but I feel that with their intelligence, with their highly skilled management ability, if they are honest with themselves, they have got to realize the facts of the future. We keep looking behind us, but we have to project this into the future more.

Mr. GREIGG. What does this say for the large percentage of the farmers who participate in the feed grain program? Does this indicate their management is not good?

Mr. JEPSEN. I will answer it from this standpoint only on what limited experience I have, and that is my observation is that usually these are older farmers, possibly less efficient farmers, and possibly people who have other jobs in town, or this sort of thing. This is in my area.

Mr. GREIGG. Well, I can tell you that statistics do not bear that out.

Mr. JEPSEN. Like I say, that is in my area, and that is the only basis that I have.

Mr. GREIGG. Thank you, Mr. Jepsen.

Mr. OLSON. I would just like to ask you if you would agree with this: You have emphasized management. Doesn't it all point down to the fact that farmers can't afford mistakes in a highly competitive economy, and the requirement of capital and the requirement of relying on so many things you can't control?

Mr. JEPSEN. I will answer that in saying that I am far from perfect. I make many mistakes every day.

Mr. OLSON. But isn't the requirement such that one should try to eliminate all errors and one cannot afford to make a mistake?

Mr. JEPSEN. Like I say, I make many mistakes every day.

Mr. OLSON. I didn't ask you that. Now to the best of one's ability, is not the requirement such that elimination of error is of the utmost importance, and that is really what good management is; is that not correct?

Mr. JEPSEN. I would not say elimination. No one is that perfect. I would say minimizing their errors.

Mr. OLSON. I said to the best of one's ability.

Mr. JEPSEN. Minimizing.

Mr. OLSON. All right. I would like to follow that up. I feel as you do in my business, that we can't afford to make mistakes. We did a few years back find out that if the Government makes a tragic error it can cost hundreds and thousands of family farms that remain. I believe that is the whole crux that we are trying to get at here, and what we try to get at every day, when we ask your opinion, but we have to make sure that to the best of our ability we get the judgment and opinions from everyone, the best that we can, and put them together to try and eliminate mistakes.

There was a time they thought the farm policies were correct. Results were disastrous, and we are just on the other hand trying to do what you are doing, only our concern is with all the family farms.

Thank you.

Mr. Bandstra, do you have any questions?

Mr. BANDSTRA. I just wanted to follow through with that one point, and bring up the question of timing. I appreciate the fact that you

are concerned about the problem, but you just don't think the time is here yet; is that correct?

Mr. JEPSEN. That's right.

Mr. BANDSTRA. In connection with that, I do want to ask you about this though. How far do you live from any one of these packer-feeder operations in Iowa?

Mr. JEPSEN. I live 70 miles from the packing plant at Postville, Iowa, 15 from Waterloo, 300 miles to Chicago, or 305 miles to Kansas City.

Mr. BANDSTRA. Are they feeding, any of these packers?

Mr. JEPSEN. One of them is, that I know of.

Mr. BANDSTRA. Rath?

Mr. JEPSEN. Yes.

Mr. BANDSTRA. Is that mostly by contract? That is mostly by contract, isn't it?

Mr. JEPSEN. No. They have cattle in their yards.

Mr. BANDSTRA. I see. Well, how many are they feeding, do you know?

Mr. JEPSEN. I do not know.

Mr. BANDSTRA. You recognize, of course, that even though the percentage may not be large nationwide, that in certain concentrated areas, where packer feeding is large, it could have an adverse effect even now in this particular market; isn't that correct?

Mr. JEPSEN. I didn't follow your question. I'm sorry.

Mr. BANDSTRA. Well, the figures seem to indicate the packers are presently feeding about 6 percent of all feed cattle, about 3 percent-plus of all the cattle slaughtered. This is not a large figure, nationwide, but it is only a national figure. Now, what I am talking about is, if packer feeding should begin to grow in Iowa and be concentrated in the Waterloo area you might be hurt before the people in Clarke County; is that correct?

Mr. JEPSEN. I think that assumption is true.

Mr. BANDSTRA. Now, as to whether or not now is the time, it may depend on the locality you are living in?

Mr. JEPSEN. This is true.

Mr. BANDSTRA. One other thing: Mr. Pickard, a fellow who testified here earlier, came in opposed to the bill and he left really in support of it. But the point is, he told about an experience he had in the broiler industry. He told how he took his broilers into market and the buyer said, "Those are fine birds. You just don't have enough of them." He lost. In other words, the market was gone, so he had two alternatives: He could get out of the business or he could sign a contract with the feed company. And, as he testified, he signed the contract.

We had a Mr. Nave, from Missouri, who was also in the poultry business. His testimony was substantially similar to that.

Now you don't want to see this happen in the cattle and hog business, do you?

Mr. JEPSEN. Of course they had one other alternative. That other alternative was to increase the size of operation to the extent of management ability.

Mr. BANDSTRA. Plus the fact they would also have to get capital?

Mr. JEPSEN. Yes.

Mr. BANDSTRA. And the labor?

Mr. JEPSEN. Yes.

MR. BANDSTRA. I don't know how old Mr. Pickard is, but I would say he was somewhat up in years, and he might have some difficulty in getting this other alternative that you spoke of.

This is all a question of time, and I wanted to ask you what you thought about this.

Now I have a book here entitled "Individual Freedom and the Economic Organization of Agriculture" by Harold F. Breimyer. After reviewing the conditions that took place in the broiler industry on this question of when we ought to act and whether we would be making a mistake, if we didn't act soon enough, he said, "But another general lesson is derivable from the above. As integration once begun tends to be self-sustaining, any public policy decision to arrest it should be made early in the process. When integration has already gone far, it is difficult even to influence it, let alone achieve a rollback to a status quo ante."

What do you know about that?

MR. JEPSEN. My question would be—this may answer your question. My question is: Do we not have in our present Packers and Stockyards Act enough legislation that if it was fully enforced—and also in our antitrust laws, monopoly laws—if these were fully enforced would they not change the situation and take care of the situation?

MR. BANDSTRA. The answer, as far as I know, is, "No, we do not."

So, in view of the fact that we don't have anything on the books, if we are going to do something, we had better do it now, instead of waiting 5 or 10 years from now.

In other words, the question is, "Should we get at it before it really gets started?"

MR. JEPSEN. Well, of course this is a good question as to how far they are going to go, and as to how far they will depress it.

MR. BANDSTRA. Well, they certainly are not going to tell us.

MR. JEPSEN. No, they are not. That is for sure. However, I think if the individual beef producer can maintain and increase his management ability in this area, the packers are going to have to be very competitive and be very efficient, also. And getting back to what I referred to before, about I am probably more integrated as an individual than the packer is, another point that I would like to make is that we are finding out that it is becoming somewhat similar with beef as it is with hogs. You double your hog operation on a given farm, and you quadruple or square root the disease problem.

MR. BANDSTRA. I recognize that, but that does not apply to contract feeding. He is going out and contracting, as Rath is apparently doing now.

MR. JEPSEN. I am sorry. On that I thought you meant the actual feeding of cattle in the yards.

MR. BANDSTRA. That is covered in the bill, but it also covers the contractual arrangement by which the packer would retain a proprietary interest in cattle or hogs, and could call them in any time he wants to.

MR. JEPSEN. I strongly feel, as an individual farmer, that I have many tools to use, and I can be as competitive, presently, on the present level of feeding of packers on contracts and the present level. I feel, that mostly the persons who are going to sign these contracts—and I refer to them quite plainly as inefficient farms—are going to sign contracts that are going to guarantee them a price. This is their priv-

ilege, however, and this is a privilege of the free individual and free enterprise.

Like I said, I don't wish to criticize and belabor it, but if you study it you can use the tools yourself and compete with them.

Mr. BANDSTRA. You say you have 600 acres?

Mr. JEPSEN. I own 160 acres and rent 160 acres cash, and then I rent 160 acres livestock-share, and on the balance of the land I machine hire. I do the work, but I machine hire.

Mr. BANDSTRA. When did you buy your farm?

Mr. JEPSEN. I bought it in 1958, 1960.

Mr. BANDSTRA. I think that is all. Thank you.

Mr. OLSON. Mr. Smith, do you have any questions?

Mr. SMITH. Did I understand you to indicate that you think the pork producers are being discriminated against?

Mr. JEPSEN. Yes, I made that statement that I feel there was some discrimination against pork.

Mr. SMITH. Would you explain that?

Mr. JEPSEN. Yes. I feel that possibly the discrimination lies in the cutting of pork purchases by the Defense Department by half, and giving the reason the pork was too high, when actually here now the pork is \$8 per hundredweight—per hundred freight weight cheaper.

Mr. SMITH. You are aware, of course, they are substituting beef and poultry for that pork?

Mr. JEPSEN. That is true, but what is their definition of high? What is their definition of high costs? Beef cattle are \$30, \$28, and \$30.

Mr. SMITH. Well, I just want to bring out that a few years ago when pork was so cheap, and I was one of those who vigorously demanded that the Defense Department do like the housewife does and look for the best buy. We got them to buy more pork in place of some higher priced food. They have now responded to this kind of criticism, and every 3 or 4 months they look for the best buy. Right now, like the housewife, they have found that beef as a whole is a better buy. Now this is what they did.

Do you think the beef producers should always be discriminated against? Do you think the Defense Department should have a rigid standard for purchasing pork or do you think they should do like the housewives do?

Mr. JEPSEN. I think the housewife in preparing the grocery list for the week is going to have a somewhat balanced diet for her family, if they are used to eating bacon along with their eggs in the morning. Now they might cut down and buy a somewhat less amount of bacon.

Mr. SMITH. Somebody has cut down.

Mr. JEPSEN. This is true. This is in the law of supply and demand. The point I am trying to make here is the hogs reached a peak in December and started to drop in February, and they have decreased ever since then. And the reason given for this cut in the buying of pork by the Defense Department was that it was too high. Now I can't see their definition of "too high."

Mr. SMITH. I think you are leaving half of it out. It is too high in relation to the beef and the poultry, not that the pork itself is too high. The question is, are hogs or cattle the best buy? This is supply and

demand at work. This is free enterprise. Why shouldn't the beef and poultry people benefit under the free enterprise system?

Mr. JEPSEN. I market 450,000 pounds of beef a year, so I feed both, but I am saying here that pork publicly was discriminated against. They publicly discriminated against this pork, when actually it was going down in price and we had already reached a peak. As I said here earlier, when we have \$12 and \$13 hogs for a few years, then we are entitled to this peak. We will take this peak and then we will take the \$12 and \$14 hogs when necessary, but we are entitled to some other years of decent prices, so we can average this thing out.

Mr. SMITH. I will ask one more question then. Do you think back when hogs were \$12 and \$14 that the Defense Department should not have increased the purchase of pork when they did, and that they should have stayed on that inflexible percentage between pork and beef?

Mr. JEPSEN. I do not know the volume they bought then.

Mr. SMITH. They increased the pork purchases because the pork was a better buy. Do you think they should not have done that? Beef wasn't too high.

Mr. JEPSEN. Like I say, I don't know how much they increased the purchases.

Mr. SMITH. Well, they increased the percentage. They didn't cut it out entirely, the beef, because the soldiers like some of both. You can vary it a little bit. According to your testimony you indicate that when pork was so cheap you don't think they should have increased the purchases of pork.

Mr. JEPSEN. Well, I think you are trying to put words into my mouth.

Mr. SMITH. Well, isn't that a proper conclusion? I don't want to draw an improper conclusion, but if you had the inflexible rule now you would have to have it then, wouldn't you?

Mr. JEPSEN. This buying of pork when it was \$12 and \$14? I wonder how much more they bought previously than they did then or what was the comparison to beef at that time?

Mr. SMITH. Well, it was a substantial increase, whether it was 50 percent or a hundred percent, but they did increase the amount of pork being bought.

That is all I have.

Mr. OLSEN. Are there any further questions? Mr. Bandstra?

Mr. BANDSTRA. No, sir.

Mr. OLSEN. Thank you very much, gentlemen. And thank you, sir, very much.

Mr. JEPSEN. Thank you.

Mr. OLSEN. Gentlemen, I must leave at this time. Mr. Redlin will conduct the remainder of the hearing. Thank you very much, gentlemen.

(At this time Mr. Olson departed the hearing and Mr. Redlin assumed the chair at this time.)

Mr. REDLIN (presiding). Congressman Olson found it necessary to leave and catch a plane. We have a few more folks to testify at this time.

We will now call our next witness.

Mr. Richard Slattum. Mr. Slattum, you may proceed.

Mr. SLATTUM. Mr. Holstad will read the statement.

Mr. REDLIN. You gentlemen are making a joint statement?

Mr. SLATTUM. Yes.

Mr. REDLIN. Mr. Holstad, you may proceed.

JOINT STATEMENT OF RICHARD HOLSTAD AND RICHARD SLATTUM, ON BEHALF OF A GROUP OF LIVESTOCK FARMERS FROM WORTH COUNTY, IOWA, PRESENTED BY RICHARD HOLSTAD

Mr. HOLSTAD. Mr. Chairman and members of the subcommittee, we are Mr. Richard Holstad and Mr. Richard Slattum, speaking on behalf of a group of livestock farmers from Worth County, Iowa, who would like to register our approval of the intent of the Bandstra bill, H.R. 12115.

We feel that we are at a disadvantage from a price standpoint when we seek to sell our finished product to a buyer from a packing plant, who has a large number of livestock of his own, in his possession or otherwise under his control, that he can fall back on as a cushion if he fails to buy our product at his price. The old law of supply and demand becomes weak and worthless under circumstances such as this. The feeder's leverage in getting his price is the fact that he has the livestock, the packer his investment in plant, machinery, and labor, and the retailer an eager consumer for the end product. If the packer or retailer has control of a supply at all times, price is determined not by supply and demand, but can be dictated by the controlling interests.

We do not believe the packer is in the feeding business because he wants to be, but because a trend has been established, and in order to compete he has to continue until the time comes when all packers have to go to the farmer to obtain his full supply. When this happens the price will be determined by supply alone and all buyers will compete on an equal basis.

Since we feel the Nation's farmers have achieved, with great success, their role of feeding the Nation and are now worried about their future role, we feel it is the proper place for Government action to see that this basic enterprise of livestock feeding be kept in the hands of the farmer.

We, as farmers, do not like the idea of huge feeding yards controlled by anyone, where our individual farming role becomes that of a hired man, rather than the Nation's producers of food and fiber.

Our aim, and we are sure the aim of this bill, is only to see that the farmers receive the price that the current market, functioning freely with no artificial or controlled supply, justifies. Certainly in the end, without a true, free market for your livestock, everyone—consumers, farmers, and the Nation's businessmen—will lose.

In our references in the direction of the packer, we don't want to forget about the huge chainstores in the country, who, we feel, with their power in pricing and purchasing, can dominate the packers and farmers alike, and dictate prices.

There is a definite advantage for feed grain producers, of the local areas, to have a local market for their grain, rather than having to deal with large feeding interest who would tend to bid on grain in large blocks, thus eliminating spirited bidding by smaller producers.

Past history has shown that an ounce of prevention is worth a pound of cure at a later time. To try to undo a bad situation after its effects have become commonly known, it requires a large effort, and at that time people all admit, with the benefit of hindsight, "Why wasn't something done before?" We feel now is the time to do that something.

Any legislation, such as we are discussing here today, should have as its purpose, not to harm the innocent, but to maintain equal justice under law.

In conclusion, Mr. Chairman, we wish to thank you and the members of the subcommittee for coming to the Midwest to conduct these hearings so that farmers such as we may have an opportunity to appear before you and make our thoughts on such an important piece of legislation known to you.

Thank you.

(The following names were affixed to the typewritten copy of the above statement, as follows: Richard Slattum, R.F.D., Joice, Iowa; Richard Holstad, R.F.D., Kensett, Iowa; Lowell Norland, R.F.D., Kensett, Iowa; Harold Mueller, R.F.D., Manly, Iowa; George Dolan, R.F.D., Northwood, Iowa; LaVerne Diedrich, R.F.D., Northwood, Iowa; Bruce Odden, R.F.D., Northwood, Iowa; Lewis Grund, R.F.D., Emmons, Minn.; Olger Tenold, R.F.D., Northwood, Iowa; and Ernest Hanson, R.F.D., Northwood, Iowa.)

Mr. REDLIN. Thank you, Mr. Holstad. Are there any questions from any member of the committee?

Congressman Bandstra?

Mr. BANDSTRA. No questions.

Mr. REDLIN. Mr. Callan?

Mr. CALLAN. No questions.

Mr. REDLIN. Are there any questions from anyone here? (Pause.) There being no questions, we will go on to the next witness.

Thank you, very much, gentlemen. We appreciate your coming.

Mr. HOLSTAD. Thank you.

Mr. SLATTUM. Thank you.

Mr. REDLIN. Since these two men have testified together, and I have been notified that Mr. George Hardy has come in and has asked to appear, I will now call on Mr. Hardy. Is Mr. George Hardy in the room at this time? (No response.)

We have now come to the end of our formal list of those who have requested to be heard.

Now I have just been informed that a Mr. Caldwell may wish to testify at this time.

Walter E. Caldwell. Is he present at this time?

Mr. CALDWELL. Yes.

Mr. REDLIN. Mr. Caldwell, did you want to testify at this time?

Mr. CALDWELL. Yes.

Mr. GREIGG. Mr. Chairman, I ask for the unanimous consent to insert into the record at this time a statement by Mr. and Mrs. Donald Fredrichs of Lake View, Iowa.

Mr. REDLIN. Without objection, it will be entered into the record.

STATEMENT OF MR. AND MRS. DONALD FREDRICHs, LAKE VIEW, IOWA

In regard to the hearings on H.R. 12115.

A law already passed and recently held valid, known as the Consent Decree, absolutely forbids, among other things, Armour, Swift, Wilson or Cudahy from entering the retail field and competing with the retailer on the products that these packers process.

In the light of this fact there should be little hesitation in the passage of H.R. 12115. If this is not done, immediate steps should be taken to repeal the Consent Decree not only for the feeder but definitely for the consumer.

Mr. and Mrs. Donald Fredrichs, Lake View, Iowa.

Mr. REDLIN. Mr. Caldwell, you may proceed.

Mr. CALDWELL. Mr. Chairman, I would like to introduce my brother Mark. He has no prepared statement here, and he is in business with me, and he would be able to answer any questions that I might possibly might not be able to answer about our business.

Mr. REDLIN. All right.

STATEMENT OF WALTER E. CALDWELL, CENTRAL IOWA FARMER, FEEDER, GRAIN AND FEED DEALER, FROM PRAIRIE CITY, IOWA

Mr. CALDWELL. First of all, I'd like to thank our representatives for coming to the people involved in this proposal and giving us an opportunity to present our views.

The fact that less than 50 people have asked for time I'm afraid indicates our attitude that Government is too big and the individual has lost his voice in his Government.

I'd like to take a few minutes of your valuable time to bring to light some precepts that I believe a great many of our citizens have not considered since grade school days, and yet these same principles are the very basis of our free enterprise system, which has been so successful and now is finding itself daily in deeper and deeper water.

Packer-feeding to be outlawed: House Resolution 12115 proposes prevention of some people from entering into a legal business because it is competitive with some other people.

Is this the premise on which our Nation was built? I think not. It is my belief that our forefathers, who had the fortitude to embark on the *Mayflower* and start the Colonies, were strong-willed, industrious, ambitious people who were determined to make a desirable life for themselves, and their descendants, regardless of the foreseen hardships. And that is not "unforeseen" hardships; that is "foreseen" hardships.

These people were fleeing from the "Divine right of kings" being imposed on them, and we'll all agree, I'm sure, they justifiably felt that no one had the right to tell them exactly each and every move to make, once granted they were pursuing a legal, righteous way of life.

These pilgrims came to America where they knew in advance they'd be strictly on their own with no "big brother" to turn to when they encountered adversity.

Until very recent years, we, as a capitalistic group, have conducted ourselves in this manner. When we saw an opportunity to "build a better mousetrap," we knowingly took the risk, built the thing, and let the chips fall where they would to see how much, if any, compensation we'd get from our efforts. If we were lucky or half smart, we struck something for which there was demand enough to justify ex-

pansion of our endeavors, possibly even making jobs for a few of our compatriots.

As we expanded our endeavors, with some degree of inventiveness, we may have been able to change our methods and processes and perhaps even diversify our operation. Now, as long as we proceed in a legal manner, it would seem to me prudent to allow the aggressiveness of our citizens so equipped to continue, for such independent drive is the backbone of our national strength, I should say, in my opinion. These hardy individuals are not the class of people, like so many we have today, sitting, awaiting the monthly dole from the "Great White Father."

Regulation to protect life and limb is necessary. Regulation to prevent competition is disastrous, so long as the competition is on an even basis and has no legislatively protected advantage.

There are protected organizations in this country who do hide behind such legislative protection, and who do not pay their fair share of the costs of our Government, and who do now compete unfairly with individuals in many businesses. But it is my belief that such enterprises as independent hog, sheep, cattle or poultry packers, who are individual, full taxpaying organizations, should have the right to compete with us country feeders. They might show us some tricks we've been missing. Had we not missed some tricks there might be no demand or room in our economy for additional feeders using new and different methods.

House Resolution 12115 infers that one of the methods of unfairly competing is bringing the packer's own livestock to the slaughtering plant when no other livestock are available.

I think we all need to be reminded that it takes both a buyer and a seller to establish a market price, excluding governmental interference with floors and ceilings.

When a packer is not paying a high enough price to encourage a sale, he is then necessarily below the market, and taking his own livestock to slaughter at this below-market price, he is losing money on his feeding operation. It's the same principle as my feeding corn from my crib to my hogs merely because it is there; realistically, I have to figure if the market price of the corn is \$1.18 per bushel, that's what it costs going into my hogs, and I'd better figure my costs of gain on that basis.

I've mentioned individual, courageous action of our early settlers who independently took care of their own needs. I've touched upon necessary regulation for protection of life and limb, and the more prevalent up-to-date restrictive legislation we now see many places where we turn. We are reminded daily of the burdensome majority of our socialistic populace who have in mind only "What can my country do for me?"

Let us, at all costs, be sure that we do not encroach further on what little we have left of our free enterprise system. We can all be reminded that the people in the livestock feeding industry, be it hogs, poultry, cattle or sheep, have been one of the last frontiers of the intensely independent operators who have asked the Federal Government not to intervene. We do still have a small number of the populace who are willing to go it on our own, and to try to make a success of ourselves more through rugged determination than any other attribute.

Gentlemen, it is my firm belief that if we all, as individuals of our entire Nation, were to get back to the honest, industrious, rugged, self-starter methods of everyday life and work, Uncle Sam would again have the international prestige and leadership so seriously lacking in some of our local and worldwide endeavors today.

Please help one of the last independent industries remain so by allowing us free Americans to make our own decisions, and to be able to hold our heads high, knowing we're self-propelled.

Thank you, again, for permitting us this opportunity to express our views.

Mr. REDLIN. Are there any questions? Mr. Greigg?

Mr. GREIGG. I have no questions.

Mr. REDLIN. Mr. Bandstra?

Mr. BANDSTRA. Mr. Caldwell, I am glad to have you here. I think what we are doing is perhaps using terms that we probably would both agree upon, but using them in somewhat of a different sense. I can assure you that I have in mind accomplishing just exactly the same objectives that you have set out in your statement.

It is the very idea of promoting and maintaining the competitive system that we are all concerned with. Some of the testimony here has been that packers, by being able to pull their cattle in when they don't particularly want to buy, affect the law of supply and demand.

Some of the people who market in the terminal markets have testified that so long as you do have competitive bidding in a central location no one knows what the bid will be.

I just wanted to make that comment, so that you realize we are both trying to accomplish the same objectives, even though your procedure would seem to be somewhat different than I think ought to be followed in order to arrive at this same particular goal.

Would you agree with this: The free enterprise system in the past several years has actually grown stronger rather than weaker, even though we may have adopted some things which, at one time, people called "creeping socialism"? I refer to the social security system that as late as 1952 was referred to as "creeping socialism." Partly as a result of the social security we have \$800 billion of life insurance in effect in the United States.

Individual savings of the people in this country—and again I think this is partly due to the social security system—are going up over a trillion dollars net.

These were two things people were saying back at that time wouldn't occur. They said it would go the other way. The social security system was adopted back in 1935.

Don't you think there is some reason for saying the free enterprise system is going stronger today?

Mr. CALDWELL. Are you calling the social security system a free enterprise system?

Mr. BANDSTRA. Yes, I think in a way, because in a way it employs the insurance principle, rather than being a giveaway program that we have in some of our relief programs. And as Senator Taft once said, and these are not my words but Senator Taft's: "It may be a form or degree of socialism, but whatever it is, it has strengthened our free enterprise system."

It certainly has been more in line with what you and I are trying to accomplish, what we are trying to do.

Mr. CALDWELL. You mean the social security itself is a free enterprise system and has enhanced the people to save?

Mr. BANDSTRA. This is what the evidence indicates.

Mr. CALDWELL. You understand that I am not very good at this type of thing, but I would have trouble interpreting the free enterprise aspect of the social security system. For instance, I have been saving in the social security system, and I have no freedom whatsoever in doing so, as to whether I was going to have savings in that or not. Now I do have to save in it.

There is one element in the social security system, and it is a thing that I believe very strongly in. I believe I should not misuse it or take advantage of it. I believe that, the Lord willing, and I am able to continue a productive life, that I should not take advantage of it by receiving the benefits at this time from it.

I think we have a lot of people who receive the benefits from the social security system who have no need of these benefits whatsoever.

The only element of that free enterprise in that is that it would be to refuse the payment or never cash the checks. But that is the only aspect of free enterprise in the social security system that I can see.

Mr. BANDSTRA. This would be up to you. You have your freedom in that regard.

Mr. CALDWELL. I don't see as there is any other freedom in that system or that there is any other free enterprise aspect of the social security system. In fact, respectfully, I would say the social security system replaces a great many of the services which are offered by our independent insurance companies to the public.

Mr. BANDSTRA. This is not what they say, Mr. Caldwell. They do not say this. They say the social security system has enabled them to sell life insurance that they would not be able to sell otherwise. They tell me this. I am not a life insurance salesman, but this is what they are telling us. This is what they are saying. I am only saying that these systems, these things that we adopt, that we do not necessarily adopt them because we want to, but because we have a problem and we have got to meet it one way or another, and we feel that these things can in effect strengthen or promote the free enterprise system.

Mr. CALDWELL. Well, what I was getting at here, using the social security system, as you brought it up, as an example of the free enterprise system, that my basic philosophy on this subject would be that as we develop in this country, and as people enter into free enterprise—and I will struggle for an example here—maybe they started making wagons for the pioneers to come westward. I suppose some of that was done in this country. Now as we developed on, possibly some people started the railroad then.

Mr. BANDSTRA. Yes, and they received quite a Government subsidy.

Mr. CALDWELL. I understand that, and I think some of them have forgotten that.

Mr. BANDSTRA. Yes. And they wouldn't be running today if it had not been for that fact. This could also be called a type of socialism, but the truth is it helped to develop our country, and I do appreciate that you brought up this example as to how a government can actively be for and can assist and strengthen the free enterprise system. I am glad that you mentioned the railroads.

Mr. CALDWELL. I wasn't quite through with the railroads. It is possible that some people, unknown to me, started the railroad system and that another group of people came along and started one greater and bigger on a national aspect than the first people.

In my opinion, the Government did give subsidies to the railroad, but they did not necessarily legislate the other railroad people out of business just because they were competing. My recollection of the first regulation about railroads was the fact that they were maybe getting a little out of hand ratewise and needed some regulation so they wouldn't pick on the little fellow.

Mr. BANDSTRA. You weren't opposed to that? You wouldn't be opposed to that?

Mr. CALDWELL. No; I wasn't. I think if I were a shipper of grain into Chicago and the fact that I only shipped 10 cars and another man shipped 500 that he shouldn't have a cheaper rate than I. That isn't right.

Mr. BANDSTRA. That is exactly what we are trying to do here. The example you gave was a good one. This hasn't happened to the livestock feeder, but the witnesses have testified here that this has happened in the turkey and broiler industry. Mr. Pickard this morning testified that when he went down to sell the broilers the fellow said, "Nice birds, but you don't have enough of them." He was being discriminated against and he was driven out of business simply because he didn't have enough. And I agree with you that would be an unfair type of discrimination, and that is what the railroad was doing at one time when they were discriminating against the small shipper.

Mr. CALDWELL. This man did have an opportunity to quit.

Mr. BANDSTRA. To quit, yes. But is that fair? Should he be driven out of business?

Mr. CALDWELL. He had an opportunity to increase the size of his enterprise or to quit.

Mr. BANDSTRA. That would be true, if he had the other component parts of the operation, such as the capital, which he might not have been able to get, and labor. He might not have been able to get it. I don't know; but there are all those necessary requirements you need if you are going to increase your enterprise.

Mr. CALDWELL. I have had a time struggling along in my business. I have had trouble getting capital, and in struggling along, and it takes a lot of hours, a lot of work every day to try to stay in business and keep your business going.

Mr. BANDSTRA. It takes quite a few hours of work to stay in Congress.

Mr. CALDWELL. Yes, sir. I can appreciate that.

Mr. BANDSTRA. Thank you very much.

Mr. REDLIN. Mr. Smith, do you have any questions?

Mr. SMITH. No.

Mr. REDLIN. Mr. Callan?

Mr. CALLAN. No.

Mr. REDLIN. Are there any further questions from any of the committee members?

Thank you, Mr. Caldwell. We appreciate your coming.

Mr. CALDWELL. Thank you.

Mr. REDLIN. Now, then, are there any persons that might have been listed who have not testified here in person? I believe the entire list has been called.

We are now at the end of our oral testimony. If there is anyone present who would like to file a statement because they did not have the opportunity to testify in person or to file a statement, they may have that opportunity at this time, and we will wind up our proceedings.

MR. BANDSTRA. Mr. Chairman, we have another person here to testify, whom I think we should permit to testify in person at this time.

MR. REDLIN. Would you identify that person?

MR. BANDSTRA. Yes. A Mr. Woodrow Wilson Diehl, a large farmer down in Warren County, Iowa. Most significantly, Mr. Diehl is not only a successful farmer, but he is also a member of the President's Commission on Food and Fiber.

MR. REDLIN. All right.

STATEMENT OF WOODROW WILSON DIEHL, FARMER FROM WARREN COUNTY, IOWA, AND A MEMBER OF THE PRESIDENT'S COMMISSION ON FOOD AND FIBER

MR. DIEHL. I had no intention of testifying here today, but I have been here most every minute of these hearings, and I have been enjoying it very much. There are a few thoughts and ideas that have come to my mind, which I would like to express.

One of the first things that was very obvious to me, and I think this is correct, at least I was here most of the time, is that not one packer-feeder testified in his defense; and the other thing is—the other thing that comes to my mind is, Would the packer-feeder be willing to put these cattle through the competitive market? I, myself, feel they wouldn't be in the feeding business if they had to run these cattle through the competitive market.

I have visited with a number of packers, and that is my feeling. If they are not willing to run these cattle through the competitive market, there is only one other reason that I see for them to have these cattle.

It isn't that I fear them as a cattle feeder or that they can feed cattle cheaper than I can. I have no fear of that, but I can picture this only in the—as I picture this, the only reason why they can feed cattle is to take some advantage over the marketing system.

Now, I had packers make the statement to me that the only reason they fed cattle, the primary reason, was they had contracts with labor, and if they couldn't get the cattle they had to pay this expense, and so forth. I could see that, perhaps, let's say 20 years ago. I could have said that was a very sound reason 20 years ago, but today, in this modern day and age, with all the highways we have, I think it is a very slim reason for it.

So, personally, I can see no reason, other than for some financial gain through the marketplace for feeding cattle.

Thank you.

MR. REDLIN. Thank you. Any questions?

MR. BANDSTRA. No. I have no questions, only to commend and compliment Mr. Diehl on a well thought out statement, even though he didn't have it written out.

We are glad to have you.

MR. DIEHL. Naturally, I am for the bill. There is no doubt about that. You can understand that.

Mr. REDLIN. I have been told that Mr. Steve Wachtel and Mr. George Hardy have appeared with the idea of testifying. I do not believe we can prolong this hearing any longer. I do want these gentlemen to know they do have the privilege of filing their statement with the reporter, and it will be a part of the record, just as if it were delivered from the stand here today.

Now are there any other persons who want matters entered into the record?

I believe, Congressman Bandstra, you have one.

Mr. BANDSTRA. Mr. Chairman.

Mr. REDLIN. Mr. Bandstra.

Mr. BANDSTRA. I would like to have unanimous consent at this time to have entered into the record, at this time, this letter addressed to me, dated April 11, 1966, and signed by C. W. McMillan in behalf of the American National Cattlemen's Association.

Mr. REDLIN. Without objection, it will be entered into the record.

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., April 11, 1966.

HON. BERT BANDSTRA,
*Longworth House Office Building,
 Washington, D.C.*

DEAR MR. BANDSTRA: The American National Cattlemen's Association feels that it is premature to enact such legislation as H.R. 12115 at this time. This bill would prohibit the feeding of livestock by packers and retailers in addition to prohibiting such firms from purchasing livestock for slaughter by means of feeding contracts with individual farmers.

The National Commission on Food Marketing is due to make its report on July 1, 1966. We are aware that one of the more in-depth phases of the Food Marketing Commission study is that of packer feeding. Along with other aspects of the overall Commission Study, we cooperated with them in conducting a very comprehensive survey on packer feeding.

We also are aware of a study on packer feeding that has been under way by the Packers and Stockyards Division of the U.S. Department of Agriculture. We are informed that this study is approaching completion.

H.R. 12115 was discussed at length during the annual convention of the American National Cattlemen's Association in Kansas City, Missouri this past January. After full deliberation, the membership adopted the following resolution:

Whereas the National Commission on Food Marketing is currently making an in-depth study into all phases of marketing including the livestock and meat industry, and

Whereas any sweeping amendments to the Packers and Stockyards Act or administrative changes within the Packers and Stockyards Division of the U.S. Department of Agriculture would be premature to the report of the National Commission on Food Marketing: Therefore be it

Resolved, That the American National Cattlemen's Association opposes amendments to the Packers and Stockyards Act and any other major administrative changes until further guidelines are provided in the report of the National Commission on Food Marketing which is due July 1, 1966.

We respectfully request that the Livestock and Feed Grain Subcommittee of the House Committee on Agriculture forestall formal action upon this bill until all facts and ramifications are available so a more comprehensive appraisal can be made as to the need for such legislation.

We further respectfully request that this letter be made a part of the hearing record.

Cordially,

C. W. McMILLAN.

Mr. BANDSTRA. I also would like to ask permission, with unanimous consent, for Congressman John Culver, of the Second Congressional District of Iowa, to insert a statement at this point.

Mr. REDLIN. Without objection, it will be admitted into evidence.

STATEMENT OF HON. JOHN C. CULVER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. Chairman, it is a privilege to submit this statement to the distinguished members of this subcommittee. I want to express my gratitude to the House Agriculture Committee for the concern they have demonstrated for the livestock industry by scheduling these hearings in Des Moines where all interested parties have the opportunity to appear and fully air their views on this bill.

The current movement by meatpacking firms into the large scale feeding of livestock is a matter of growing concern in Iowa. The feedlot operations of packers and the response by many representatives of the livestock industry raise fundamental questions substantially affecting proper market competition, farm, income, retail prices, the concept of vertical integration in a free enterprise economy and the extent of economic justification for the practice. The careful and objective study of these vital issues by this committee is not only in the interest of all parties directly concerned, but in the public interest as well. There has been a noticeable trend toward greater utilization of feedlot operation by processing firms in recent years. The number of packer-fed livestock grew from approximately 1.7 million head in 1960 to nearly two million head in 1964. In Iowa, where feedlot operations have traditionally been inconsequential, the growth promises to be even more pronounced in the years ahead. One Iowa firm recently announced plans to feed between 50,000 and 100,000 head annually, and clearly indicated that they would substantially expand the practice if this pilot program proves successful.

As the second cattle producing State in the Nation, Iowa has a very great stake in assuring access to an open, competitive livestock market and, at the same time, maintaining a satisfactory level of income for the family sized farmer. The results of the recent Iowa poll confirm the considerable concern among Iowans with the increasing possibility of large scale packer feedlot operations. According to the poll 65 percent of all Iowans and over 80 percent of Iowa Farmers favor some form of restriction on widespread operations of this nature by meatpackers. Among those reasons expressed for favoring this type of restriction were the conviction that farmers would be adversely affected by lower prices and unfair competition.

The question of vertical integration is one which will seriously affect farmers in Iowa and throughout the Nation in the years ahead, and it is, therefore, important and entirely appropriate that this committee give its close attention to this problem at the present time. I hope that the legislation will be carefully studied in the light of testimony received here and at the hearings to be held subsequently in Washington, and that a solution can be found which will serve the long-run interests of American agriculture.

Mr. REDLIN. Do you have anything further?

Mr. BANDSTRA. Further, I would like to insert in the record at this point a number of newspaper articles dealing with the planning of packer-feeding in the State of Iowa. One is from the Des Moines Sunday Register, dated November 7, 1965; one is from the Des Moines Sunday Register dated November 14, 1965; and one is from the Des Moines Sunday Register dated March 13, 1966.

Mr. REDLIN. Without objection, those will be made a part of the record.

[From Des Moines Sunday Register, Nov. 7, 1965]

BIG LEAGUE CATTLE FEEDING IS COMING TO IOWA

(By Ronald Harley)

Iowa Beef Packers, Inc., Denison, plans to feed 50,000 to 100,000 head a year in a feedlot near Irvington. The cattle will be fed by "computer" and most of them will be housed in what officials describe as "controlled environment."

A feedlot with such a turnover would rank with the biggest lots in Colorado, Nebraska, Arizona and California. It is expected to be the nation's largest "inside" cattle feeding operation.

And Iowa Beef Packers officials revealed last week that the Irvington feedlot is to be a pilot project. Others will be started if the first one is successful, they said.

The packing firm purchased 400 acres of land and feedlot facilities from Gerald Frankl of Irvington. Present capacity of the lot is about 4,000 head.

Within two years, officials expect capacity of the feeding operation to be at the point where they can turn out 50,000 to 100,000 head a year.

The firm has a slaughtering plant at Fort Dodge, only about 40 miles south of Irvington.

Establishment of the feeding operation will be another step by the firm toward a vertically integrated program. A slaughtering plant, now under construction at Dakota City, Nebr., will "break" carcasses. (Presently the firm markets only carcasses and quarters.)

Carcasses from the Fort Dodge and Denison plants will be shipped to Dakota City for breaking.

Frankl, who sold the land and feedlot facilities for an undisclosed amount of cash and Iowa Beef Packers stock, will join the organization.

He'll help set up the slaughter cattle procurement program at the Dakota City plant and eventually is expected to manage the feeding operation at Irvington, officials said.

The bulk of the feed for the proposed feedlot will be purchased locally.

Bill Conn, president of the Security State Bank in Algona, pointed out that such an operation would require several million bushels of corn and thousands of tons of silage a year.

"We have a lot of cash-grain farmers in Kossuth County and this fits in perfectly with the proposed feeding operation," he said. "It will cut hauling costs for grain farmers who want to supply corn to the operation."

(Average corn yield in the Irvington area is running over 100 bushels per acre this fall, according to Frankl.)

Conn, who is also an official of the Algona Industrial Development Corp., said "this 'factory' is going to have a tremendous impact on the community."

Most of the cattle in the proposed operation will be housed in a series of buildings featuring slatted floors.

Frankl said the slatted floors probably will be "precast concrete over 8-foot pits." Much of the liquid manure probably will be marketed to farmers in the area, he said.

Frankl, 44, said Iowa Beef Packers would continue to use the present feeding facilities even after the new facilities are constructed.

"This will give us a chance to compare the efficiency of indoor and outdoor feeding," he said. "I think we'll find the energy loss in outside feeding yards is a bigger factor than most people realize."

Frankl pointed out that initial investment in an indoor feeding setup would be high, but said increased efficiency should compensate for this in a short time.

He said silage will be stored in bunker-type, roofed silos. A new feed mill will be constructed to handle the expanded operation.

"I don't think any place in the nation will be able to compete with this area in controlled environment feeding," he said.

"We do not anticipate that this operation will be detrimental to Iowa cattle feeders in any way. In fact, we expect it to benefit them."

"If it is successful, it will demonstrate the efficient way of feeding cattle and should provide a good example."

McGill and other officials pointed out that detailed records will be kept on cost of grain, efficiency of grain, etc.

Arden Walker, another vice president, said, "There is a big lag between what is known about efficient cattle feeding and the way many cattle are actually fed. We want to close that gap."

Company officials said such an operation, by providing a steady volume of slaughter cattle, can help stabilize cattle prices.

But they pointed out that even after the Irvington feedlot is operating at maximum capacity, they will still be buying the biggest part of the cattle they need for slaughter.

After the Dakota City plant goes into operation next year, they expect to be slaughtering a total of about 25,000 head a week in the three plants. This would be about 5 per cent of the nation's federally-inspected beef slaughter.

The Irvington feedlot will give farmers in the area an outlet for feeder cattle at various stages of growth and an outlet for locally-grown feed, a vice-president said.

Present plans call for about 1.5 million square feet of feeding area. A tremendous amount of liquid manure would be produced in the slatted-floor setup.

According to one source, steers averaging 800 pounds in weight will each produce 6.8 tons of liquid manure a year with a value of about \$3.61 per ton.

The company plans to feed medium-quality feeders (mostly calves) and slaughter them at 1,000 to 1,150 pounds at choice grade.

"There is a trend toward less fat and waste on slaughter animals and we'll produce cattle with a high degree of cutability," said Fred Haigler, who coordinates buying and selling activities.

The operation will require a lot of hired labor. A professional nutritionist, for example, will be hired to formulate feed rations.

The efficiency of various feed rations will be determined with the help of a computer. Rations will be "punched out" on computer cards, and feed will be weighed and mixed automatically.

Information will also be fed into a computer to help determine weight and kind of cattle to be fed.

Iowa Beef Packers was organized in 1960 and the Denison plant went into operation in 1961. The company's headquarters are also at Denison.

A. D. (Andy) Anderson is president of the company. Currier J. Holman is chairman of the board.

[From the Des Moines Sunday Register, Nov. 14, 1965]

CATTLE FEEDING BY PACKERS UNDER FIRE

(By Ronald Harley)

Testimony concerning livestock feeding activities by meat packers will be heard this week in a closed hearing to be conducted by the National Commission on Food Marketing, it has been learned.

An official for a major midwest livestock terminal market said he is scheduled to testify at the hearing Wednesday.

The major terminal markets, as well as some beef producer organizations, have urged the federal government to bring packer feeding to an end.

It was also learned that the Packers and Stockyards (P&S) Division of the USDA has been engaged in a study to determine what effect, if any, packer feeding has on livestock market prices.

It is possible that P&S officials will report on some of their findings during the closed hearing in Washington, D.C.

In Iowa, attention was focused on feeding activities by packers last week when Iowa Beef Packers, Inc., Denison, announced plans to eventually feed 50,000 to 100,000 head of cattle annually in a feedlot operation near Irvington in Kosuth County.

That news brought mixed reactions from Iowa cattle feeders.

A cattle buyer for the packing firm, who buys in Kosuth, Emmet and Palo Alto counties, said farmers were talking about the firm's cattle feeding plans last week but no one was upset about them.

Cattle feeders are more interested in getting "top dollar for their cattle," the buyer said.

However, telephone conversations last week with Iowa cattle feeders and officials of beef producers groups indicated there is much disfavor with the idea of a packer operating a big feedlot in this state.

And at least two Iowa farmers have apparently decided to discontinue selling cattle to the Denison-based packing firm.

An official of another packing firm said two farmers, who ordinarily sell cattle to Iowa Beef Packers, sold cattle to his firm last week.

"We aren't going to sell cattle to Iowa Beef Packers if they are going to compete with us in feeding cattle," the farmers were quoted as saying.

On the other hand, two cattle feeders in the Irvington area said they were pleased about the feedlot plans and said the operation would be good for the economy of the community.

(The proposed feeding operation, which will feature controlled environment, is expected to use at least 4 million bushels of corn a year. Much of the corn, silage and hay will be purchased locally.)

Among those who oppose cattle feeding by packers is Orville Kalsem of Huxley, president of the Iowa Beef Producers Association. Kalsem said:

"Farmers and feedlot operators should feed cattle and packers should stick to processing. Our organization definitely has been against packer feeding."

Gene Wright of Anthon, president of the Woodbury County Beef Producers Association, in commenting on the Iowa Beef Packers feedlot, said:

"This is a bitter pill. I don't like it and so far I haven't talked to any other cattle feeders who like it."

James Stevenson, who feeds about 300 head of cattle a year near Goldfield, said, "in a period of tight supplies they (Iowa Beef Packers) will be able to bring in a day's kill or a half day's from their feedlot. This bothers me.

"I'm not worried because they are going to be feeding so many cattle, but because they will have cattle available when they need them."

A Wayne County cattle feeder said "It looks like we're going to have competition but, from a personal standpoint, I'm not particularly worried about it.

"If the competition gets too tough I'll switch from feeding cattle to producing and selling feeder cattle," said the feeder, Lyle Furman of Allerton. He has a beef cow herd of 70 head and feeds out 300 to 400 head of cattle a year.

Following announcement of Iowa Beef Packers' plans to go into the feeding business, the River Markets Group (representing major livestock terminal markets in the corn belt) issued a statement condemning packer feeding.

Richard Welding, Sioux City, chairman of the group, urged cattle feeders to refuse to do business with packers who operate feedlots.

"The packer can use supplies in his own lot as a lever against feeders," Welding said. "When cattle are cheap, the packer buys from the farmer. But when competition starts to push prices upward, the packer can turn to his own feedlot for supplies and stop buying on the competitive market."

However, Iowa Beef Packers officials at a meeting in Algona last week pointed out that they expect to put a "certain number of cattle in the lot every week and take exactly the same number out" for slaughtering.

"With such a system, it would be impossible to use cattle in our own lot as a lever against feeders," the officials said.

Maurice McGill, Iowa Beef Packers financial vice-president, said the company will probably have \$17 million to \$18 million invested in buildings, equipment, and inventory at the Irvington feeding operation after expansion. It is expected to take 100 to 150 persons to operate the feedlot, he said.

Gerald Frankl, Irvington, who sold his feedlot facilities and 400 acres of land to Iowa Beef Packers said, "I will personally see that any technology used in the operation will be available to any cattle feeder in the area."

Present capacity of the lot is about 4,000 head. Frankl, now associated with Iowa Beef Packers, is expected to manage the feedlot after it is enlarged.

E. V. Stife, president of the Farmers State Bank at Hawarden last week wrote letters to a number of other bankers in northwest Iowa outlining his opposition to Iowa Beef Packers cattle feeding plans.

Stife said a lot of his bank customers sell cattle to Iowa Beef Packers. But "if they keep selling cattle to them, they're crazy," the banker said.

The National Livestock Feeders Association also opposes feeding by packers.

"Any time a packer has a captive supply of cattle under his belt, he doesn't have to be as aggressive in buying cattle," said Don Magdanz, Omaha, Neb., executive secretary of the association.

E. E. Dubbert, Laurens, immediate past president of the national organization, said:

"Packer feeding is snowballing and the future of cattle feeders is being jeopardized."

In 1964, cattle were fed by, or for, nine of the 10 major packers in the nation. Cattle were fed by, or for, a total of 198 packers.

And feeding by, or for, meat packers accounted for 3.3 per cent of the nation's commercial slaughter of cattle last year, according to P&S officials.

(This figure does not include separate feeding activities by owners, officers or employees of meat packing firms, or non-reporting subsidiaries or affiliates.)

Five packers reported feeding cattle in Iowa during 1964, but only 0.5 per cent of the fed-cattle marketed were fed by meat packers.

In California, the third biggest cattle feeding state, 10.5 per cent were fed by, or for, packers. In Texas the figure was 16.5 per cent.

An official of the Rath Packing Co., Waterloo, said Rath feeds out about 6,000 head of cattle a year in a feedlot near Waterloo. Rath slaughters about 290,000 head of cattle a year.

In the past, the official said, Rath has had cattle fed out on a custom basis in commercial feedlots in Kansas and Nebraska.

Rath feeds about 100,000 lambs a year, the official said.

A spokesman for another Iowa packing firm said his company does not do any cattle feeding as such, but said the company has a partnership with some commercial feedlots in other states.

The spokesman said also that some company officials feed cattle and that some are fed by related corporations.

The Spencer Packing Co., Spencer, is not feeding any cattle according to President Tom Mehesan.

"In my opinion, one segment of the beef industry should not encroach upon another segment," Mehesan said.

An official of Armour and Co., Chicago, Ill., said the company fed (or had fed on a custom basis) less than 5 per cent of the total number it slaughtered last year.

The official said Armour feeds no cattle in Iowa, but does own some feedlots, including one near Cozad, Neb. The company also feeds cattle in Washington, Oregon and California.

Reasons for feeding cattle, according to the official, are to assure a plant a supply of cattle for "Monday morning start-up" and, in some areas, to supply beef of a certain quality to meet customer needs.

A spokesman for Wilson & Co. Inc., Chicago, Ill., said the company owns no feedlots.

"In the past, we have had some fed on a custom basis by a commercial lot in California," the spokesman said.

Garland Russell, general manager of Iowa Packing Co., Des Moines, said, "We don't feed any cattle here or at the plant in Marshalltown.

"In our view it is not necessary, Iowa is the biggest cattle feeding state in the nation and we prefer to deal with private feeders."

Iowa Pack is associated with Swift & Co.

Frank Mullin of Swift & Co. of Chicago said, "We do some feeding of cattle at several locations throughout the country but the number is very small and we do not feed any in Iowa.

"The bulk of the feeding we do is on a contractual basis and most of this is done on the west coast," Mullin said.

A representative of John Morrell & Co., Ottumwa, said they are feeding no cattle and have no plans to do so in the future.

[From the Des Moines Sunday Register, Mar. 13, 1966]

PACKER-FARMER CONTRACTS COVER 16,000 HOGS

WATERLOO, IOWA.—Contractual arrangements involving about 16,000 hogs have been signed by farmers in three midwest states, including Iowa, and officials of Rath Packing Co.

The agreements signed by the farmers and the packing company call for the marketing of hogs to Rath which has its main plant here and another slaughtering plant located at Columbus Junction.

Two types of agreements, or contracts, have been signed.

One involves feeder pigs which are owned by Rath Packing Co., and which are fed by farmers with hogs eventually marketed to Rath.

The other type involves the packing company helping a farmer locate supplies of feeder pigs. In return, the farmer uses feed products manufactured by the company and markets the hogs to Rath at a time suggested by the packing plant livestock buyers.

About 3,500 hogs are involved in the first type of arrangement, where Rath has full ownership of the animals.

There are about 12,000 to 13,000 hogs involved under the second type of arrangement where farmers own the animals but agree to use Rath feed and market the hogs to the firm.

Rath officials point out that the two types of arrangements are similar to contractual systems used for many years in the company's dealings with lamb feeders.

Such arrangements were first used for hogs in 1958, a Rath spokesman said, but were then discontinued until recently.

"There are times when such agreements are good for both parties, the farmer and us," the spokesman explained. "And there are times when such agreements are not good."

"But an agreement must be profitable to both parties in order to work out. This means that both parties must share in the financial risks involved, just as they may share in the profit that results."

The chief reason for the contracting arrangements involves an anticipated period of low market hog supplies in early summer. The company has arranged for this supply of hogs to help fill its weekly slaughter of 25,000 to 30,000 hogs during a two-month period.

In addition to the contracts, the packing company has made available the services of a livestock specialist who assist the farmers involved in swine management.

It was pointed out that many farmers, according to the Rath spokesman, were "busy" and could not line up supplies of feeder pigs, or were concerned about the high price for feeder pigs in recent months.

"We help the farmers get good, healthy pigs," the spokesman added. "And in return, he helps us by marketing the hogs to us at a time we suggest. The farmer saves the expense of having to run around and find feeder pigs, but still the program is basically his own enterprise."

The spokesman said that there may be more such contractual arrangements ahead in the industry.

Mr. BANDSTRA. In addition I also have a letter here from Hans C. Knudsen, of Holstein, Iowa, that I would like to have entered into the record at this point.

Mr. REDLIN. Without objection, Mr. Bandstra, Mr. Knudsen's letter will be entered into the record at this point.

HOLSTEIN, IOWA, April, 1966.

HON. BERT BANDSTRA,

House Office Building, Washington, D.C.:

I would say if the packers went into the cattle feeding business, it would take away all the cattle loans from the local banks; also take away the livestock from the family farmer, and in turn would still mean larger grain farms and decreased rural population, ruin whole towns with schools and churches and all. And as I see it, we've lost enough farmers as of the present time.

HANS C. KNUDSEN.

Mr. BANDSTRA. I have a letter from Mr. Richard Schmidt, of Battle Creek, Iowa, dated April 20, 1966. I would like unanimous consent to enter it into the record at this time.

Mr. REDLIN. Without objection, Mr. Schmidt's letter may be admitted into the record at this point.

BATTLE CREEK, IOWA, April 20, 1966.

DEAR SIR: I am very alarmed at the fact that beef packers in this country are planning to feed more of their own cattle. It is very simple arithmetic to arrive at the conclusion that if the meat packers feed more cattle, the farmers will have to feed less cattle. It could well be assumed that a great many farmers will have to quit feeding entirely.

I question the wisdom of this trend in an area of the country that is already being depopulated by the steady exodus of young people to the cities. This exodus will certainly be accelerated by having meat packers taking over control of this area of farming.

Is it wise for the country to have all these cattle bunched in a few concentrated spots? A few well-placed bombs in wartime, or the appearance of hoof and mouth disease, anthrax, or any other serious disease could certainly put a large share of this nation's meat supply in sudden jeopardy.

I understand that there is a law that keeps the packers from merchandising their own meat on a retail basis. If this is true, perhaps it should be questioned if it is right for them to feed the cattle they also slaughter and process.

I think that with a good share of the cattle in the packers' own yards the American public will pay a good deal more for their beefsteak in the future. Beef might even be a luxury in our time, if we live to be old men.

It is a known fact that as a field of business gets into the hands of fewer and fewer corporations, the prices they can command for the end product can more easily be manipulated and controlled.

I hope our United States Congress and our President will give this bill some serious thought and attention. I think it is a good bill.
Thank you.

RICHARD SCHMIDT.

Mr. BANDSTRA. And I have a letter here from Herbert H. Hein, of Battle Creek, Iowa, which I would also like to insert into the record at this point.

Mr. REDLIN. Without objection, the letter from Herbert H. Hein, of Battle Creek, Iowa, may be inserted into the record at this time.

BATTLE CREEK, IOWA.

To Congressman BANDSTRA:

I protest the fact the packers want to get into the business of feeding cattle. We have lost enough farmers the way it is.

HERBERT H. HEIN.

Mr. REDLIN. Are there any other statements or letters to be entered into the record at this time?

UNIDENTIFIED MAN. I have a few short comments, if I may. I didn't get a chance before.

Mr. REDLIN. I would prefer, as long as you were in combination with another witness, and the fact that I have denied any other witnesses a chance to proceed in person at this time, I would prefer that you would submit a statement, since I have required statements of other people here. We are on a very tight schedule at this time, and we do have a plane to catch.

UNIDENTIFIED MAN. All right. Thank you.

Mr. REDLIN. I hope you believe that we are fair. I am seeking to be precisely as fair as I can to all the people.

I am sure that I express the gratitude of the committee for the fine cooperation that we have received from all the witnesses, and the fine cooperation we have received from the people of Iowa in the conduct of the hearing, and particularly their Congressmen. We are happy that Congressman Smith, in whose district we had the privilege of holding this hearing, was able to be with us for much of this hearing.

Now this information will be available for the future consideration of this bill.

Now before adjourning this hearing, for the record, there are a few other written statements and letters that will be made a part of this record. They are submitted to the reporter to be inserted into the record at this point.

(The following statements and letters were inserted into the record at this point:)

STATEMENT OF STEVEN THEODORE WACHTEL, FARMER AND CATTLE FEEDER,
OF MELVIN, IOWA

To the Distinguished Members of this Board Who Are Hearing Testimony on H.R. 12115, as an Amendment to the Packers and Stockyards Act of 1921:

My name is Steven Theodore Wachtel. My home is Melvin, Iowa. I am married and the father of three daughters. I am 37 years old and I rent 380 acres, of which 260 acres is a family farm that has been farmed by my father and grandfather. My sole means of support is from farming and at present I have 450 head of cattle on feed.

My activities in the community consist of the following: Finance Chairman of the Melvin Methodist Church; Secretary of the Sanborn Co-Op Grain Company; Secretary of the O'Brien County R.E.C.; On the Board of Directors of the Melvin Savings Bank; and on the Board of Directors of the Northwest Iowa Experimental Farm at Sutherland and Doon.

I come before you not to represent any pressure group, but since I did accept government payment for my G. I. Bill of Rights Education, and six years pay to teach Institutional On The Farm Training at three different schools located at Sibley, Hartley and Paullina. I am here on a challenge from some of those veterans who said, "If you feel so strongly about supporting Representative Bert Bandstra's Bill, H.R. 12115, why don't you go to the hearing and do something about it, instead of just giving the bill a lot of lip service?"

I would like to start my testimony by quoting verbatim a Nebraska College economist who said, "Two hundred cattle feeders that feed one hundred head of cattle apiece are worth \$3,500,000 to the economy of their local community," but since I am unable to find this newspaper article I will not play into the hands of the packer-feeders by telling you gentlemen that you have to protect us from these large feed lots to save the small rural communities.

In fact the sturdy farmer that lives in Northwest Iowa and who is of Scandinavian, German and Dutch ancestry actually thrives on competition and he has even learned valuable lessons from the large feed lots in regards to the use of more roughage in his ration, better grub and pest control, and marketing cattle before they become butterballs of fat, and weigh in excess of 1300 pounds.

My goal is to let Representative Bert Bandstra know he has my support not to stop large feed lots, but to stop the integration of feed lots by packers, so that cattle feeding does not get itself embroiled in the same mess that overtook the broiler industry. In my mind, and in the minds of many small feeders, we question this 3.4% figure used by the packers to pinpoint the part of the cattle feeding industry they have integrated. Just try to tell that to many of these farmers that live neighbors to these large feed lots, and see if they don't tell you that one packer buys all their beef usually because he is a silent partner in the feed lot operation.

I will at least give Spencer Pack of Spencer, Iowa, credit for having guts enough to call their farm at Harris, Iowa, the Spencer Pack Farm, instead of hiding the identity of the farm under a different name, but I will also tell you that their cattle moved out when carcass beef was 47¢/# instead of the present depressed market of 43¢/#, and this is one of the facets that bothers me and my neighbors about packer-feeding.

The packer with better information as to numbers on feed in their business area will be able to aim their own cattle at the low availability market, which usually is associated with high beef prices, and go out and buy from the farmers when there is a glutton market with low beef prices.

In the same token, I will fall back on two years of experience as foreman for a cattle feeding setup at Blythe, California. Lonesome Valley Land and Cattle Company was owned by three doctors, and they were encouraged by their tax lawyers to use money that would ordinarily go into the United States Treasury, and retain it by spending it on an unimproved agriculture enterprise; whereby profit from the cattle feeding would be reinvested in the unimproved land, and, even though the ranch shows only a small profit, the equity of value grows each year with tax dollars. This property can be then used for retirement income or sold after these professional people retire from their given profession.

It is nauseating to think back on this tax loophole, but beating Uncle Sam on tax dollars comes into about every conversation among these people and their professional friends. Thus it was either buy unimproved land and build up the equity or go into the purebred cattle business and play the capital gains angle.

At that time I did admire the Federal Government for stepping in and cutting the umbilical cord between Riverside Feed Lot and Safeway.

The other large feed lot was called Union Feed Lot and it was managed in such an efficient manner that the only complaint was the smell, and in the same token many of us in O'Brien County will be watching a new feed lot operation in our county and see if they plan to use the Waterman Creek for manure disposal.

We are also told their feed lot will help our local economy by their purchase of feed grains. I grant you this will happen when feed grain prices are depressed in the fall of the year, but as was brought to light at a directors-manager roundtable conducted at Algona, Iowa, on March 22nd of this year, by the Farmers Grain Dealers Association, there was a spread on corn prices that day of a low of \$1.10/bu., to a high of \$1.17/bu., paid at Sanborn Co-Op Grain Company, and this demand is created by small local cattle feeders. Now who would be so asinine as to believe this new group will pay \$1.17/bu., for corn when they can send their truck fifty miles north or fifty miles southeast and pick up corn for \$1.10/bu.?

Consequently, it is this open defiance to H.R. 12115 by such packer-feeders as this Group 21 who will have directors from Spencer Pack on its Board; meat packing firms that are trying to tie our Iowa Hog Producers to contracts; and the use of outside capital by professional people to gain a tax advantage, that and my neighbors will need your help to slow down or entirely stop, if the American people are going to continue to be the best fed, and yet spending less than 20% of their take-home pay for their food bill.

The farmers of my generation in Northwest Iowa are farming twice the acres that our fathers did. We are running tractors day and night. Some are being forced to work on Sunday, if weather conditions are bad during the week; going farther into debt than our fathers ever though possible; and yet we are willing to put up with these hardships on our health and family ties, if only you gentlemen will give us the passage of H.R. 12115.

Thank you.

STATEMENT OF PALO ALTO COUNTY BEEF PRODUCERS ASSOCIATION, PALO ALTO COUNTY, IOWA, SIGNED BY EDWARD DRAMAN, PRESIDENT

The following statement represents the position of the membership of the Palo Alto County Beef Producers Association on H.R. 12115, a bill by Representative Bert Bandstra of Iowa to prohibit large-scale feeding of livestock by meat packing firms and retail chain stores engaged in meat-packing operations.

We stand in vigorous support of this bill.

Our reasons for supporting this bill so strongly are:

We believe that the practice of large-scale feeding of livestock by meat packing firms and retail chain stores allow them disproportionate influence over pricing.

2. Also we believe that this would upset the mechanism of the free-enterprise marketing system. This would ultimately work to the detriment of the individual feeders and finally to the American Consumer.

3. Should this undesirable practice be allowed without restrictions, it would lead toward monopoly of livestock feeding by meat packing firms and retail chain stores.

Thus, the membership of the Palo Alto Beef Producers Association supports H.R. 12115 so as to allow the continuance of the free-enterprise system in livestock feeding.

CLINTON COUNTY BEEF CATTLEMEN'S ASSOCIATION,
April 19, 1966.

Mr. FRED McLAIN,
State Office, U.S. Agricultural Stabilization and Conservation Service, Des Moines,
Iowa.

DEAR MR. McLAIN: The Clinton County Beef Cattlemen's Association strongly supports the Bill, H.R. 12115, which would amend the Packers and Stockyards Act of 1921.

Clinton County is one of the large cattle-feeding areas in the State. Over 100,000 head of grain-fed cattle are marketed annually. The prosperity of Clinton County and Iowa depends upon the cattle-feeding industry. We feel that the cattle feeding industry should remain in the hands of the farmers who feed cattle.

The cattle feeders in Clinton County urge the passage of bill H.R. 12115.

Very truly yours,

DURWARD MOMMSEN,
President.

KENNETH BOWMAN,
Secretary-Treasurer.

DEMING PACKING Co.,
Deming, N. Mex.

DEAR SIR: I am writing to you about the Bandstra bill which prohibits a packer doing over one million dollars in business from feeding cattle. I am manager and one-fifth owner of a small packing plant in Southwestern New Mexico, whose annual volume of business is about \$1,500,000.

The Bandstra bill, to me, is a thoroughly frightening bill and it could be damaging to the point of business closure to an operation such as ours.

I want to set forth our situation as to cattle supply as truthfully as I can. In order to compete with larger packers we HAVE to feed cattle in order to maintain the selection our customers demand. There are no terminal stockyards within 800 miles of Deming, and, if there were, there would be no guarantee that we would be able to find the daily requirements by weight and grade for our beef kill. There is one commercial feed lot here in Deming, but, even so, the selection is limited and commercial feeders do not sell less than one pen of cattle at a time. The pens in this lot here in Deming have 150 head per pen. Our daily kill is about 20 head of beef cattle. So you can begin to see the impossibilities.

Also, of very great importance to us is a steady, dependable supply of bulls and cows for our customers, but more especially for our sausage processing kitchen. Bull meat and cow meat is the basic ingredient for bologna, hamburger and almost all other processed items. We have to have a backlog of boner-type cattle to keep steady production and, except for the Fall of the year, supply is scarce. We try to have at least a two months' supply at the end of the Fall run, and then we supplement the supply as we go along from whatever source we can. Even so, we usually end up scrambling for enough of this type of animal before the next runs begin.

There is a lack of definition in the Bandstra bill, but as it reads now it is unrealistic. Although we keep 200 to 300 cattle in our plant feed pens (about two weeks kill) we do not feed them for profit per se. As stated above, our primary reason is to keep an adequate supply for customer selection. If you can't give them what they want, they buy elsewhere.

Mr. Congressman, I can only write about our own situation here in Deming Packing Company. A plant doing ten million or 100 million in annual business may not have the same problems we do. Certainly their beef cooler inventories provide them greater carcass selection for customer requirements.

We would welcome an investigation of our operation for I sincerely believe that we can prove:

1. That no price collusion or manipulation exists;
2. That we have to maintain a backlog of cattle to choose from in order to meet competition.

If you gentlemen on the Agricultural Committee establish that there is a genuine need for legislation as described in the Bandstra bill, please put it on a basis of penalty for proven abuse. Do not make us guilty before the fact.

This is the way Federal Inspection works: The penalty is there and if the law is abused the penalty is applied. Isn't this the American way, rather than one of general prohibition for an assumed abuse that is theoretically universal?

Sirs, we spent twenty-one years building up our little business in this sparsely settled area of New Mexico. We began with four employees and we now have 38. This is an industry in which competition is unusually keen. You have to stay awake to stay alive. We have made three substantial additions to our original plant, and we have managed to pay for all of this cost, except for \$130,000 we owe to a local bank. We can see our way over the hump, if we are allowed to operate in a practical manner; that is, if we continue to provide an adequate source of livestock for each year of operation.

Again, real briefly, we need to feed some cattle to assure ourselves a supply of the kind of cattle our customers want, and to keep a dependable supply of bull and cow meat for our sausage kitchen.

I doubt that our problem of supply is unique, especially for small plants in isolated areas.

Sincerely yours,

A. B. WILLIAMS.

Mr. REDLIN. This hearing of the Subcommittee on Livestock and Feed Grains of the House Committee on Agriculture, in regard to H.R. 12115, stands adjourned.

(At which time the hearing was adjourned at 1:35 p.m., on Friday, the 22d day of April 1966.)

PROHIBIT FEEDING OF LIVESTOCK BY CERTAIN PACKERS

WEDNESDAY, OCTOBER 5, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Redlin, Bandstra, Greigg, Callan, Mrs. May, Findley, and Dole.

Also present: Representative Burton of Utah; Hyde H. Murray, assistant clerk; John J. Heimbarger, general counsel; and Martha Hannah, staff.

Mr. POAGE. The committee will please come to order.

We are met today for further consideration of the Bandstra bill, H.R. 12115.

(H.R. 12115, introduced by Mr. Bandstra; H.R. 12868, introduced by Mr. Schmidhauser; H.R. 13587, introduced by Mr. Schisler; and H.R. 18172, introduced by Mr. Randall, are similar bills; the text of H.R. 12115, and a departmental report thereon, follow:)

[H.R. 12115, 89th Cong., 2d sess.]

A BILL To amend the Packers and Stockyards Act of 1921, as amended, to prohibit feeding of livestock by certain packers, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title II of the Packers and Stockyards Act of 1921 (42 Stat. 159, as amended (7 U.S.C. 181 et seq.)) is amended by inserting immediately after section 202 thereof the following new section:

"SEC. 202A. (a) It shall be unlawful for any packer whose gross sales were more than \$1,000,000 during the preceding calendar year, or for any officer, director, or owner of more than five percent of the stock thereof, to engage in the business of feeding livestock, including livestock subject to any manner of control, by contract or otherwise, by such packer, officer, director, or owner. The gross sales referred to above shall include the sales of all corporations, partnerships, associations, and individuals owned or controlled in any manner whatsoever, in whole or in part, through stock ownership or otherwise, by such packer or owner, officer, director, agent, or employee of such packer.

"(b) A violation of this section which occurs on more than one day shall be considered a separate violation for each day on which such violation occurs.

"(c) Whoever violates this section shall be fined not more than \$50,000, or imprisoned not more than one year, or both.

"(d) For the purposes of the Act entitled 'An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes', approved October 15, 1914 (38 Stat. 730), and the Federal Trade Commission Act, this section shall be considered to be an antitrust law."

DEPARTMENT OF AGRICULTURE,
Washington, D.C., October 4, 1966.

Hon. HAROLD D. COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your letter of February 24, 1966, requesting a report of the Department's recommendations on H.R. 12115, a bill to amend the Packers and Stockyards Act, 1921, to prohibit the feeding of livestock by certain packers and for other purposes.

This Department recommends the enactment of the bill with amendments as suggested in this report.

The language of H.R. 12115 is directed toward (1) meat packers, including food chain slaughterers, whose gross sales were more than one million dollars during the preceding calendar year, and (2) any officer, director, or owner of more than five percent of the stock, of any such meat packing firm. The bill is intended to prohibit such corporations and persons from engaging in the business of feeding livestock owned by them, or subject to any manner of control, by contract or otherwise, by such packers, officers, directors, or owners.

We do not interpret the bill to prohibit a packer from entering into a contract under which cattle will be delivered to the packer on a specified future date, where the packer does not have control over the feeding of the livestock, either by ownership or contractual control.

Meat packing firms with sales of more than one million dollars constitute about 40 percent of all slaughterers but they account for approximately 98 percent of all livestock slaughtered. This group feeds about 95 percent of all cattle, hogs, and sheep fed by packing firms.

Packing firms fed about 1.3 million cattle in 1965. This includes the feeding of packer-owned cattle in their own feedlots and in commercial feedlots under contract. This feeding was done by 202 firms, about one-eighth of all commercial slaughtering firms. It amounted to 7.2 percent of fed cattle marketings in the leading 39 cattle feeding states.

Feeding by packing firms is in addition to that done by owners, officers, employees, and other interests associated with packing firms. Associated interests of packers fed more than 600,000 cattle in 1965. This feeding, along with the 1.3 million fed by packing firms, increased total packer feeding of cattle to 1.9 million head in 1965. On this basis, packer feeding was 10.7 percent of fed cattle marketings in the 39 leading states in cattle feeding. In other words, about one of every ten cattle fed in the United States is fed by a packer or an interest associated with a packer.

The Department of Agriculture recognizes several major objections to extensive packer feeding of livestock. *First*, packer feeding represents a transfer of proprietorship of livestock feeding out of agriculture, reducing farmers to the status of (1) suppliers of feed grains, (2) suppliers of the young feeder livestock only, or (3) contractees to the contracting packers. *Second*, packer feeding represents a telescoping of separate economic activities under a single control, a vertical integration which undermines the market price system as the basic system providing rewards and incentives in livestock production and marketing. *Third*, packer feeding puts packers actively into the industry (feeding) from which they themselves buy. An opportunity is thereby presented for them to use their own cattle as a lever to enhance their market power. Their feeding thus becomes a bargaining weapon in their buying of other slaughter livestock from producers.

With respect to the first objection, that of agricultural proprietorship, H.R. 12115 is properly viewed in relation to the broadly encompassing question of what kind of marketing system for the products of agriculture is to prevail in years to come—and, therefore, the kind of agriculture we are to have in our Nation.

The packer feeding bill is thus distinguished as one of the infrequent instances when much more is at stake than is contained in its particular provisions. Not often does proposed legislation have such comprehensive meaning.

H.R. 12115, if enacted, would be landmark legislation. It would be the first action taken to arrest the trend towards removing the production and marketing of farm products from the hands of farmers as capital-investing, risk-bearing managerial entrepreneurs, and transferring them to the direct control of processing concerns.

The proposed legislation is properly viewed in this light, and not principally in terms of market practices or conduct. Integrity or honesty of conduct is not pri-

marily under question. Although packer feeding can be injurious to fair and accurate price making for fed livestock, as will be noted below, this is of secondary importance. First importance attaches to packer feeding as it bears on the structure of an industry—and on agriculture itself.

The livestock feeding industry is large and is strategic to the make-up of all agriculture. More than 17 million were fed in 1965, and their feeding probably contributed about 2 billion dollars of gross income during the year. About 80 million hogs are sold each year, for a gross value of about 3 billion dollars, and although there is some separation of hog feeding from feeder pig production the majority of hogs are produced and fed on the same farm. Lamb feeding is a source of less income to agriculture but is important in certain areas.

Livestock and crop products have been combined within agriculture for four principal reasons. One, several classes of livestock graze pasture lands; they are a direct harvester. Two livestock convert bulky feedstuffs into concentrated livestock products, and it is economical to do the converting close to the source of the feedstuffs. Three, needs for labor in caring for livestock dovetail seasonally with those for producing crops. And four, livestock require the constant stand-by care that proprietors perform better than wage workers. If livestock feeding were to be removed from agriculture, in whole or in substantial part, the benefits of that close association between feed and livestock production would be lost—to agriculture, and to consumers.

Already, virtually all broiler production, more than half the turkey production, and nearly half the egg production have moved into the ownership or control of nonfarm firms. Both turkeys and eggs seem headed for further takeover. Transfer of livestock feeding activities to meat packers would leave only the production of feeder stock and dairying as the major livestock enterprises under the managerial control of agriculture. And there is no reason to assume integration of livestock would stop with the feeding enterprises. Eventually it would almost certainly extend to production of feeder cattle, pigs and lambs as well.

Even though packer feeding would doubtlessly increase unless restrained by law, only part would be done by packers in their own facilities. Some would be done by farmers under contract. In the latter case, farmers would still do the work, but it is likely that the terms of contracts would become ever more specific and controlling so that farmers would lose flexibility in using their resources to best advantage. Farmer feeders would be in danger of drifting into contractual terms similar to those in broilers.

The second objection to packer feeding is that it would work to undermine the price system itself. Already that system is being threatened on several fronts in farm marketing. This notwithstanding the fact that buying and selling of farm products for a price has long been bulwark to the organization of agriculture. Prices arrived at fairly, and made known widely, have proved a sound basis for guiding both production and marketing, and have achieved equity among all parties.

The trend nowadays is increasingly to abandon commodity pricing as a guiding mechanism for the economy. Central direction by large integrated combines is substituted for market pricing. To extend this trend further into agriculture would not be in the best interests either of agriculture or of the Nation.

The great virtue of a commodity price system is not in its efficiency alone but in its impersonal, self-regulating property and its built-in protection of the negotiating independence of each individual and firm. Provided there is no collusion or monopoly, each seller of farm products enjoys the protection of being able to bargain with several of many possible buyers.

It may be said that this argument is sound where the packer does his own feeding but that where he only enters into a contract with a commercial or farmer feeder there is price negotiation of a sort. It is negotiation over the terms of the contract. In many respects this is true. But negotiation of contract terms lacks the protection of market pricing because, first, there is no system for reporting and disseminating the terms of contracts in the manner as is done in market selling; and second, contract feeders tend to become attached to particular contractors, and as they do so they lose the protection of being able to negotiate freely with alternate contractors.

Because of its overshadowing significance thereto, H.R. 12115 has been reported on herein in terms of the long run future of U.S. agriculture. Nevertheless, also weighty is the third objection to packer feeding, namely, its potential use for re-enforcing market power of individual packers. Any packer able to draw on his own supply of livestock on feed can conceivably use that capacity as a bar-

gaining device in buying of other livestock—irrespective of whether he actually pulls them into slaughter or not. A firm can thereby have considerable influence on market price, especially within a given procurement territory.

In our studies, we have evidence of market power at work. At one of our important livestock markets, packer-fed transfers to slaughter by a large packer depressed the average *weekly* market price by as much as 25 to 50 cents per 100 pounds when compared with prices at other markets. During a period when this packer's transfer of his own cattle varied from zero to over 1,000 head per week, each additional 100 head of packer-fed cattle slaughtered per week lowered the price 5.8 cents per 100 pounds. The market leverage exerted here is dramatically demonstrated in the fact that an equivalent 100 head increase in saleable cattle receipts at the public market had less than one-tenth the price effect of packer-fed transfers. This was during a period when the packer was supplying less than 10 percent of his cattle requirements from his own feedlots. Also, his feedlot transfers were equivalent to less than three percent of the saleable receipts at the market. Our analyses lead us to believe that under current levels of packer feeding, market prices for cattle feeders are affected.

The purposes of this bill are consistent with the purposes of the framers of the Packers and Stockyards Act. In 1917, the Federal Trade Commission initiated a two-year investigation of the meat packing industry, and in 1919, it reported on the conditions of concentration, tendencies toward monopoly, vertical integration, and control of auxiliary marketing services it found. Subsequent litigation against Armour, Swift, Wilson, Cudahy, and Morris (later acquired by Armour), and subsidiaries and officers, directors, and stockholders of such packers, resulted in a consent Decree issued in 1920. This decree undid some vertical integration then existing in the livestock and meat industry. It prohibited these packers from engaging in the retailing of meat and groceries and directed them to divest themselves of their financial interests in the public stockyards where livestock was assembled for sale to packers and others, terminal railroads adjacent to the yards, and the market newspapers and journals which were the principal media for carrying market news and information on prices and receipts to farmers. Congress then enacted the Packers and Stockyards Act, 1921, to provide for continuing regulation of the livestock and meat marketing systems and to prevent malpractices such as those brought to light in the Federal Trade Commission investigation.

In December, 1960, the United States District Court for the Northern District of Illinois denied petitions to modify certain provisions of the consent decree (*United States v. Swift & Co., et al.*, 189 F. Supp. 885). This judgment was affirmed by the Supreme Court *per curiam*, 367 U.S. 909 (1961). The consent decree concerned forward integration by meat packers into retailing operations, and backward integration into the livestock marketing activities such as the ownership of terminal railroads, public stockyards, market newspapers, etc. Packer feeding of livestock represents a backward integration of far greater consequence than the backward integration which was proscribed by the consent decree.

As to the consent decree, the District Court stated that: "The core of the defendant's business activities remained untouched. They were left free to engage in meat packing, including slaughter, dressing and processing, and distributing at wholesale, without hindrance. . . . The decree confined their power, however, and prevented its exercise or extension in the meat industry either backward in the direction of livestock marketing, or forward in the direction of retail marketing. What is known as vertical integration was foreclosed thereby to a significant degree. . . . Their economic power was thus not destroyed but rather hemmed in." (189 F. Supp. at 892). The same economic logic applies when directed toward backward integration into livestock production enterprises, as when directed toward the forward integration of meat packers into retailing.

The rationale of this bill is also consistent with an important recent decision of the Supreme Court in a case instituted by the Department of Justice under the Clayton Act relating to vertical integration in the shoe industry, *Brown Shoe Co., Inc. v. United States*, 370 U.S. 294 (1962). In this case, the Supreme Court unanimously affirmed an order requiring divestiture in connection with a merger between the Brown Shoe Company, primarily a manufacturer, and the Kinney Shoe Company, primarily a retailer.

In reaching its decision, the Court considered the fact that in certain locations and geographic areas the market shares of certain firms in an industry greatly exceed their natural average market share.

This is also true with respect to packer procurement in many livestock marketing areas. Although many packers have but a small percentage of the total in the national market, in their own procurement territory they are a much more powerful market price determining force.

In the language of the Supreme Court's opinion in the *Brown Shoe* case (370 U.S. at 323-324), "The primary vice of a vertical merger or other arrangement tying a customer to a supplier is that, by foreclosing the competitors of either party from a segment of the market otherwise open to them, the arrangement may act as a 'clog on competition' . . . which 'deprive(s) . . . rivals of a fair opportunity to compete.'"

Again, the primary issue in the *Brown Shoe* case was a vertical merger between the 4th ranking shoe manufacturer and the 8th ranking shoe retailer. But the economic logic is also analogous to the situation where slaughtering and processing corporations integrate backwards into livestock feeding activities.

The purposes of this bill are also supported in a consent order issued by the Federal Trade Commission in FTC Docket No. C-1024, December 21, 1965. This, again, is the situation where an important food wholesaler, Consolidated Foods Corporation, integrated into the line of commerce occupied by its retailer customers by buying a number of local retail chains in the Midwest. Consolidated Foods was ordered to divest itself of its purchases of retail outlets. The complaint in the case alleged that substantial competition, both actual and potential, was eliminated by these acquisitions within the areas in which Consolidated operated its acquired grocery store companies. It also alleged that members of the consuming public had been or may be denied the benefits of free and unrestricted competition in Consolidated Foods' distribution of food and grocery products.

In recent Supreme Court decisions, the court seems to be much more concerned about stopping tendencies toward monopoly in their incipency. This, of course, was the rationale of the consent decree against the major meat packers. As stated by Harold Breimyer in his recent book, "Individual Freedom and the Economic Organization of Agriculture," on page 224: "As integration, once begun, tends to be self-sustaining, any public policy decision to arrest it should be made early in the process. When integration has already gone far, it is difficult even to influence it, let alone to achieve a rollback to a *status quo ante*."

Rather than excluding packers whose gross sales were less than \$1 million during the preceding calendar year, we believe it would be desirable to permit each packer to slaughter during any week at any one location not more than 100 head of cattle, 300 head of hogs, and 300 head of lambs fed by itself, its subsidiaries or affiliates, or by its officers, directors, or persons who have more than a five percent interest in such packer. Within these limits, packers could feed livestock on experimental farms as some do, and also officers, directors, and owners could continue to own and operate farms which they may have acquired as outside investments. It would still hold packer feeding below a size that would allow it to exert leverage in individual markets.

Any prohibition applicable to packer feeding should apply only to the business of feeding livestock rather than to the incidental holding of livestock prior to slaughter.

Irrespective of whether the foregoing suggestion is adopted in lieu of the \$1 million limitation, we believe that any prohibition applicable to packer feeding should also apply to subsidiaries or affiliates of a packer.

We recommend that the proposed subsection 202A(a) be reworded to read as follows:

"It shall be unlawful for any packer to slaughter at any one location during any week more than one hundred (100) head of cattle, three hundred (300) head of hogs, and three hundred (300) head of lambs which were fed by such packer, or by any officer, director, or person who owns or controls more than five percent of the voting power or control thereof, or by any subsidiary or affiliate in which such packer or other persons own or control a total of more than five percent of the voting power or control thereof. The prohibition in this subsection shall apply to livestock owned by such persons and to livestock the feeding of which is subject to control by such persons by contract or otherwise. This subsection shall not apply to the feeding incidental to the holding of livestock prior to slaughter."

In some instances, compliance with the provisions of this bill may require the sale or disposal of either packing plants or feeding facilities. A transitional period of one year should be provided for orderly disposal of such facilities to alleviate hardship.

Based on current forecasts of workload under this amendment no increased expenditures are estimated for the administration of the Packers and Stockyards Act. This assumes that this amendment would be largely self-enforcing. Violations could be established on the basis of company records. Although packers may be asked to supply some additional information about the timing of transfers of livestock to slaughter plants in the annual report which they are currently furnishing to the Consumer and Marketing Service, this should not have a significant impact on Federal employment or costs for administration.

On the other hand, if the bill is not enacted, regulation of the increasing packer feeding activity on a case-by-case basis under existing law would be extremely burdensome to the regulatory agency. It may be necessary to litigate each instance in which livestock feeding by packers has conferred market leverage resulting in price manipulation or control in commerce (under Section 202 of the Packers and Stockyards Act). Substantial and costly investigations would be necessary in connection with such proceedings. We would expect these proceedings to be quite protracted. Any restrictive action by the Secretary of Agriculture on the activities of individual packers in this connection would almost certainly be challenged before the courts.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program. The Bureau suggests that the committee may also wish to secure the views of the Department of Justice on this bill.

Sincerely yours,

JOHN A. SCHNITTKER,
Under Secretary.

Mr. POAGE. We have a number of witnesses listed here from the Department, the National Grange, American Meat Institute, Western States Meat Packers, and I have just been advised that Congressman Burton wants to testify. We would be glad to hear from him. He does not seem to be present. Since he is not present, we will proceed to hear from Mr. Leonard, the Department of Agriculture, and I have had a request that Mr. Crofoot—no. Who was that that wanted to be heard that could not stay until tomorrow? I do not see the name on here. Anyhow, we had a witness who wanted to be heard today. Mr. Monfort. I do not have Mr. Monfort's name. Yes. He is representing the Western States Meat Packers. Well, we will reach him.

We will now hear from Mr. Leonard, Department of Agriculture.

STATEMENT OF RODNEY E. LEONARD, DEPUTY ASSISTANT SECRETARY OF AGRICULTURE; ACCOMPANIED BY DONALD A. CAMPBELL, DIRECTOR, PACKERS AND STOCKYARDS DIVISION, CONSUMER AND MARKETING SERVICE; GERALD ENGELMAN, DEPUTY DIRECTOR, PACKERS AND STOCKYARDS DIVISION, CONSUMER AND MARKETING SERVICE; ARNOLD L. ASPELIN, AGRICULTURAL ECONOMIST, PACKERS AND STOCKYARDS DIVISION, CONSUMER AND MARKETING SERVICE; AND HAROLD M. CARTER, DEPUTY DIRECTOR, REGULATORY DIVISION, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. LEONARD. Thank you, Mr. Chairman. I would like to introduce four people from the Department who will be here to help me answer questions. Donald Campbell, who is the Director of the Packers and Stockyards; Gerald Engelman, Deputy Director, Packers and Stockyards; Mr. Harold Carter, from our Office of General Counsel; and Arnold Aspelin, who is an agricultural economist with the Packers and Stockyards Division.

I appreciate this opportunity to discuss the Department's views on H.R. 12115. This is a bill amending the Packers and Stockyards Act to prohibit certain packers from feeding their own slaughter requirements of livestock.

This bill would prohibit livestock feeding by meatpacking firms—and their officers, directors, and major stockholders—whose gross sales are larger than \$1 million per year. It would, of course, also prohibit feeding firms from slaughtering livestock if sales exceed \$1 million per year.

We do not interpret the bill to prevent a farmer or feeder from negotiating a sale with a packer for future delivery of livestock on feed at that time. However, the bill does appear to prohibit the custom feeding of livestock by packers in commercial feedlots. In this situation, there is either ownership or contractual control by packers in which some decision is exercised by them as to how the livestock are being handled, or how they will be marketed.

Although this bill relates to the packer feeding of all species of livestock, cattle, hogs, and sheep, its immediate effect would be greatest upon cattle feeding operations. Last year, in 1965, about 7.2 percent of the cattle fed in the 39 leading States were fed by packers. Another 3.5 percent were fed by owners, officers, and affiliates of packers. Combining the two percentages, packer feeding accounts for about 10.7 percent of fed cattle marketings. About 1 in every 10 cattle fed in the United States is fed either by a packer or by an interest closely associated with a packer. This figure represents about a doubling of the number of cattle fed by packers in the past decade.

Since fed marketings have increased also during this period, the percentage fed by packers has trended upward less rapidly.

Understandably, farmers have been concerned about the growth of packer feeding in the last 10 years. They are concerned because they see the upward trend to packer feeding as a shift of livestock feeding out of a traditionally agricultural enterprise into a vertically integrated industrial production process.

The livestock industry is large and it is strategic to the makeup of all agriculture. More than 17 million cattle were fed in 1965 and their feeding contributed about \$2 billion of gross income during the year. About 80 million hogs are sold each year for a gross value of about \$3 billion. The sale of livestock accounts for about one-third of all agricultural income in the United States.

The second reason why farmers are concerned is because packer feeding of livestock is a type of vertical integration which undermines the market price system as the basic mechanism of providing rewards and incentives to farmers thereby directing livestock production and marketing.

The great virtue of a commodity price system is in its impersonal, self-regulating property, and its built-in protection of the independence of each individual and firm. Provided there is no collusion or monopoly, each seller of farm products enjoys the protection of being able to bargain with several of many possible buyers.

The market price system provides independent producers with free and open access to market outlets. Farmers have already seen this free and open access disappear in broiler production, where about 95 percent of the ownership or control have moved into the hands of nonfarm

firms. This open access to markets is also disappearing for both turkeys and eggs. About one-third of egg production and about 70 percent of turkey production take place under integrated conditions where management decisions are made by nonfarm firms.

The third reason farmers are concerned about this development is because it provides packers with an opportunity to use their own cattle as a lever to increase their market power. Packer feeding thereby becomes a bargaining weapon when packers buy other livestock from producers.

In our legislative report on this bill, we indicated that packer feeding can affect prices, even at large public markets. At one of our important livestock markets, packer-fed cattle transferred to slaughter by a large packer depressed the average weekly market price by as much as 25 to 50 cents per 100 pounds when compared with prices at other markets. We think this is a significant illustration of the manner in which packer feeding confers additional marketing power upon important buyers in the marketplace. Each additional 100 head of packer-fed cattle slaughtered per week lowered prices 10 times as much as a comparable or equivalent 100 head increase in salable or privately owned cattle receipts at the market. These price effects were felt during a year when this packer's own fed cattle accounted for less than 3 percent of the total market receipts, or 10 percent of his own slaughter. At current levels of packer feeding, additional market power is being conferred on packers who feed their own cattle. Livestock feeders are already suffering adverse price effects.

The question may be asked how such market power can be exerted in an industry that is often characterized as being only moderately oligopolistic or concentrated. Within local procurement territories for fed cattle, market structures are highly oligopolistic or dominated by a few buyers. Although we sometimes speak of a national market or price surface for beef cattle the relevant market is the local market. Each local procurement territory is a submarket and it is isolated to a significant degree from pricing at other markets. When buyers are as numerous as farmers or feeders, feeding packers and independent feeders would be in a wholesome competitive position. Neither packers nor feeders would be able to affect prices in a local market. But such atomistic structures do not prevail. In many important markets, oligopsonistic cores, such as three major buying firms, take two-thirds or more of the supply. Individual shares of more than one-fourth the local market supply are quite common at major public markets. All livestock markets are oligopsonistic on the basis of the criterion of eight firms controlling 50 percent or more of slaughter cattle purchases. In contrast, on the supplier's side, we have hundreds of cattle feeders at each of these markets.

The purposes of this bill are supported by language in previous legislation and in several important court decisions relating to vertical integration, both forward or backward. For example, the purposes of the bill are consistent with the Packers and Stockyards Act. This act prohibits packers from engaging in all unfair or unjustly discriminatory practices. It proscribes activities which are done for the purpose or with the effect of manipulating or controlling prices in commerce. It condemns monopolies or activities which restrain commerce.

It has been recognized by the courts that the Packers and Stockyards Act is broader in scope than earlier legislation designed to prohibit

monopoly, restraint of trade, or unfair competition—such as the Sherman Antitrust Act, the Clayton Act, the Federal Trade Commission Act, and the Interstate Commerce Act. The courts have also said in the *Wilson* case in 1961 that the “legislative history shows Congress understood the sections of the Packers and Stockyards Act * * * were broader in scope than the antecedent legislation * * *. From the legislative history it is a fair inference that, in the opinion of Congress, section 2 of the Clayton Act, section 5 of the Federal Trade Commission Act, and the prohibitions in the Sherman Antitrust Act were not broad enough to meet the public needs as to business practices of packers.”

The purposes are also consistent with the consent decree of 1920, reaffirmed in 1960, which undid some earlier vertical integration in the livestock and meat industry. The consent decree required the major packers to divest themselves of their financial interests in the important stockyards or markets, the terminal railroads adjacent to these markets, and the market newspapers and journals that were the principal market news media at that time. It also restrained these packers from entering into the retailing of meats and groceries.

As we have also suggested in our legislative report, it appears to us that the rationale of H.R. 12115 is also consistent with a recent important decision of the Supreme Court relating to vertical integration in the shoe industry, the *Brown Shoe* case. The economic logic used by the court in reaching this decision is similar. We only refer to the economic logic. In the *Brown Shoe* case, however, the vertical integration was achieved by acquisition or merger, rather than by internal growth.

We believe that this bill is consistent with the purpose of antitrust law. Both the bill and antitrust aim at preserving a competitive economic system—and this with a minimum exercise of market power in trading and business activities. Agriculture is a unique form of economic organization. The policies to fit agriculture must necessarily protect the small against the moderately large, not the moderately large against the giant, as is the rule in commerce and industry. For the furtherance of the purposes of antitrust, such policies should permit individual agricultural enterprises to survive on the basis of their efficiency without the disadvantage of having market leverage exerted against them.

The Department feels strongly that any trend in the direction of a less competitive market for livestock and meat should be resisted. At the same time, positive steps should be taken to deal with imperfections in the marketing system. We recognize the need to achieve more stable market supplies of cattle, hogs, and lambs. More complete information is needed on the number and kind of cattle destined to slaughter, including packer-fed cattle, so that farmers and feeders can operate at all times with a maximum knowledge. We are always trying to improve our market price reports. We believe, to the fullest extent possible, prices should be reported in terms of actual quantities and grades.

In our legislative report to the committee, we have also suggested changing the language of section 202A (a) of this bill which excludes packers whose gross sales are less than \$1 million a year. We believe it would be preferable to permit each packer to slaughter, during any week, at any one location, up to 100 head of cattle, 300 head of hogs,

and 300 head of lambs fed either by itself, its subsidiaries or affiliates, or its officers, directors, and other persons with more than 5-percent ownership in the firm. If the bill is enacted, we believe these slaughter limitations would be less oppressive than the \$1 million limitation on gross sales. The revised limitation permits packers to feed livestock on experimental farms. It would also permit officers, directors, and owners to continue to own and operate farms which they may have acquired as outside investments. It would still permit each farmer to own up to 5 percent of a meatpacking firm with no limitations as to his marketing activities. If any farmer had a larger ownership interest the packer would be restricted from slaughtering his livestock within the weekly limitations that I have described.

Our suggested version of language also makes it more clear that any restriction of feeding livestock by packers should apply only to the business of feeding livestock itself, rather than to the incidental holding of livestock prior to slaughter.

If this bill is enacted, we would not request any additional funds in view of the present requirements for heavy expenditures in other areas. This amendment would be largely self-enforcing. Violations could be established on the basis of company records.

On the other hand, if this bill is not enacted, regulation of the increasing packer feeding activities on a case-by-case basis under existing law would be extremely burdensome. The heterogeneous nature of the commodity and the great difficulties in comparing prices, over time and between markets, make proof of price manipulation or price effect a formidable effort. Each instance in which livestock feeding by packers has conferred market leverage resulting in price manipulation—under section 202 of the Packers and Stockyards Act—would have to be litigated. Investigations would be substantial and costly. Proceedings would be protracted. Any action by the Secretary with respect to the practice would almost certainly be challenged before the courts.

For these reasons, we favor the enactment of this proposed legislation as modified in our legislative report.

We will be very happy to answer any questions, Mr. Chairman.

Mr. POAGE. Any questions of Mr. Leonard?

Mrs. MAY. Mr. Leonard, this bill came down to you in February. Why has the report taken so long to get up to us?

Mr. LEONARD. We have been attempting to develop a number of studies such as the one described in the report and this plus the discussion with our own economists is probably the major reason for the delay in getting it here.

Mrs. MAY. What were the studies you were attempting to develop? I mean what did they show that led to your favorable report today?

Mr. LEONARD. The study that I described in the testimony which shows that packer feeding can have a noticeable effect on prices in an individual market, as much as 25 to 50 cents a hundred, which would work out to about two and half to \$5 per head on the average.

Mrs. MAY. Are those studies available to this committee on which you based your conclusions in your report?

Mr. LEONARD. Yes. We will make those available. We are trying hopefully to be able to publish this in a week or two. But we will make this available to the committee.

Mrs. MAY. How did you go about these studies to show that the effect would be as you have stated it? I mean, was there a situation that actually existed, or several throughout the country, that led to your conclusions or were you kind of assuming if such-and-such happened in one area then this would happen elsewhere?

Mr. LEONARD. We actually made the study of a market. I would like to have Mr. Engelman describe this. He can give you much more detail.

Mrs. MAY. All right. I would like to hear from him.

Mr. ENGELMAN. We took a market and we obtained information from packers as to the transfers the packers were making.

Mrs. MAY. I beg your pardon. Could I get you to use the microphone? I cannot quite understand you.

Mr. ENGELMAN. Very good. We analyzed the effect of particular transfers of packer-fed cattle to a packing plant located at one market. We took the Market News reports and analyzed the effect that these particular transfers were making on the price.

Mrs. MAY. You took one market and you can assume that this would then be the same thing that would happen in all markets, even considering the variable factors that would be operating in different parts of the country?

Mr. ENGELMAN. Not necessarily. But this was a representative market. It would demonstrate that this kind of price effect would happen when transfers of this size, and this frequency and regularity were taking place.

Mrs. MAY. Mr. Leonard, do you feel on the basis of this study you made of the one market that you have definite evidence to show that packer feeding exists today in such a degree that it really serves as a threat to the stability of the livestock or meat industry, or is there just a possible threat?

Mr. LEONARD. I think there is a definite—it has a definite impact and to that extent, particularly in view of the increasing volume of packer feeding, it would be a threat. But I would like to have Donald Campbell, who is the head of Packers and Stockyards, go into this in more detail.

Mr. CAMPBELL. The study actually included more than this one market and based on the total study of a number of markets throughout the country, we feel that this report does provide a reliable basis for determining what is happening throughout the country.

The results at this one market were more clear-cut than at other markets. We were able to establish the exact pricing effect relationship better than anywhere else but, based on a number of other markets that we also studied, we are confident that this same type of price effect would be taking place at other markets even though it is more difficult to prove in other markets.

Mrs. MAY. Did your study include the western or west coast markets?

Mr. CAMPBELL. Samples were taken of these markets.

Mrs. MAY. Where was the bulk of this taken? I guess I would like to establish it this way. Was the bulk of your study taken in the Midwest?

Mr. LEONARD. Yes. The major part of the work was done in the Midwest.

Mrs. MAY. Do you think that on the basis of this it can be demonstrated that current feeding practices have been used any place to control either the market or the prices?

Mr. CAMPBELL. I believe it shows that clearly, yes.

Mrs. MAY. Well, does not the Department of Agriculture under the Packers and Stockyards Act presently have the authority to move against this sort of thing?

Mr. CAMPBELL. Our present authority would not be a good vehicle for trying to proscribe this type of activity.

Mrs. MAY. Why?

Mr. CAMPBELL. For a number of reasons. Any test case would take at least 6 or 8 years, we have found from experience, to conclude up through the court system. And then in addition to that, the language is broad general language. For example, our statute prohibits unfair practices or practices which restrain commerce, and whenever you get involved in such broad general language, you do run into these 6- and 8-year delays getting a case up through the courts. Even though we can tell from our economic analysis that packer feeding is hurting farmers, for example, in a particular area, frequently you might not be able to prove it with sufficient certainty to convince a court that it should be prohibited or that it violates the broad language of the statute. If you had more specific language such as we have suggested, I think that is the only way that you could really lock the barn door before the horses escape.

Mrs. MAY. What are you really saying is that you think this condition exists but you have not got a case that is good enough to take to court?

Mr. CAMPBELL. Not really. I believe that our study establishes conclusively at the market where we have concentrated that the price effect was there and when you consider the fact that price information at public markets is used as a pricing basis throughout the country, you are not only damaging those farmers who ship to the local markets, you are also damaging farmers throughout the countryside whose prices are being established with the public market price used as a basis. The real trouble here is that you do not always have sufficient price information to prove up under general broad language that this has the effect, but you do have enough knowledge to convince economists that adverse price effects are taking place. So the fact that you may not be able to litigate every case on a case-by-case basis under broad general language does not mean that there is not enough information that should lead Congress in its wisdom to prohibit an activity that is adversely affecting farmers.

And one other point. Any time you proceed on a case-by-case basis, with our limited money and manpower, a staff of about 180 persons, the most we could handle at any one time would be one case of this nature. So if we started on a case-by-case basis we would bring one test case. In about 8 years we could expect our first decision to come from the Supreme Court, assuming we were successful, and by that time it would be too late really to turn back any tide that should be turned back.

Mrs. MAY. Well, as a matter of fact, you can say you have the law now. This is a deliberate attempt to control prices or market but that you do not have the manpower and the money within the Department

to administer the law the way it should be under the Packers and Stockyards Act.

Mr. CAMPBELL. That is partly it, although even with the bigger staff, I do not believe that a case-by-case approach would really solve the problem. Suppose we double our staff and could bring two actions instead of one. Still that would not protect farmers. The 6- or 8-year period would still be taking place where packer feeding was going on. Prices daily would be lowered to some extent.

So the case-by-case approach we have found from experience is just a poor vehicle for prohibiting broad business practices.

Mrs. MAY. Well, how many cases do you think you would have to process under the proposed amendment to the law?

Mr. CAMPBELL. I doubt if we would have to process many because most people do comply with the law. If you have a prohibition, they will comply with the law, whereas under the broad general language now in the statute they do not know that it is illegal and you would have to convince them by a Supreme Court decision that it is illegal.

Mrs. MAY. I mean if you told them it was illegal, the proper authorities, they still would not believe you?

Mr. CAMPBELL. Under our present act we would merely have to say in our opinion packer feeding can have this effect and we would have to conduct a study and convince them that it is having this effect, and under such broad language I am confident they would want the Supreme Court's assurance it is illegal rather than our statement.

Mrs. MAY. How much of a staff do you have now?

Mr. CAMPBELL. We have about 180 on our total staff, including secretaries and clerks, to handle the entire livestock, meat, and poultry business throughout the country as to fair trade practices.

Mrs. MAY. Yet that is not enough to administer under present law even though the cases are very few, you said.

Mr. CAMPBELL. That is right. Our present staff could bring about one test case and it would be 8 years before that was completed. So, you just could not attack the problem on such a case-by-case basis. Even if we were successful, as I believe we would be, 8 years from now you would have one test case but all that case would say is that in that particular circumstance you have demonstrated adverse price effects which are prohibited by the statute. Every other packer would be free to engage in the same activity and the only remedy that we can issue on a case-by-case basis is a cease and desist order which tells the packer you shall not do it again. There is no penalty other than that. So, it would really be worth the packer's while to take his chances even if he knew that he might lose. Since there is some debate about it, it would be worth his while to wait the following 8 years until we could prove he was violating. That would mean the second packers and any others would have 16 years.

Mrs. MAY. Have you any cases on record where you have told a packer he is in defiance of the law, he should not do this again, and he has refused to go along?

Mr. CAMPBELL. Yes, when it involves a questionable area. For instance, we issued a policy statement a few years ago saying that packers should not engage in point promotion programs under which they give coupons, for example, to chainstore buyers based on the volume of meat that they buy from that particular packer. Even

though that policy statement was published in the Federal Register, and all packers were aware of it, for several years after that packers continued to engage in such practices.

We finally had to bring two test cases. Both those cases ended in cease-and-desist orders, but even after those cases, we still have a constant mopup operation every month. We are still getting complaints of a few of these similar violations. And unless you have an absolute law passed saying this type of activity is illegal, we have found from experience the packers will engage in it until it has been brought home forcefully to their attention either by means of a cease-and-desist order or by an absolute law that they know they are bound to lose on.

Mrs. MAY. Mr. Leonard, I still do not understand really why the report was so late if you have all been aware of that situation for so long. I mean, why have no previous studies been made in this field. I mean before this year.

Mr. LEONARD. Well, the study that I referred to has been underway for some time. It started in 1962. It takes a considerable amount of time to develop data, to analyze it, and prepare the report. It is unfortunate that we just were not ready sooner, but we were not.

Mrs. MAY. May I ask you, would not the curtailment of packer feeding produce in some areas a short supply of beef which then could result in higher prices for the consumers?

Mr. LEONARD. Not necessarily.

Mrs. MAY. Why do people go into packer feeding?

Mr. LEONARD. Well, I am afraid you would have to ask them. I do not know.

Mrs. MAY. There must be some reason for entering the feeding and packing business. There must be some business reasons that dictate for reasons of better supply, better serving the consumer's and customers' need. There have got to be some reasons why we have an increase as you have indicated to some degree in the packer feeding.

What is the plus side of why a packer would decide to do this?

Mr. LEONARD. Well, I am sure they feel like they are going to make a profit at it. They would not go into it unless they felt they could.

Mrs. MAY. There is nothing wrong with making a profit, is there?

Mr. LEONARD. No; certainly not.

Mrs. MAY. And certainly nothing wrong with being able to give customers and consumers a stable supply at what we hope is a fair price.

Mr. LEONARD. No, no; we feel that the cattlemen, cattle feeders, are able and willing to provide an adequate supply of cattle if the price is right.

Mrs. MAY. Well, that is all, Mr. Chairman. I do not want to belabor this point.

Mr. POAGE. Mr. Redlin?

Mr. REDLIN. Just one short question. I notice on page 4 there is a rather unusual statement as I read it, top of the page, second sentence:

Each additional 100 head of packer-fed cattle slaughtered per week lowered prices 10 times as much as a comparable or equivalent 100-head increase in salable or privately owned cattle receipts at the market.

I presume this is from an accurate survey of a particular market, the basis on which you make this statement?

Mr. LEONARD. This is based on the analysis that was developed out of the study. If you would like, Mr. Engelman probably could go into that in more detail.

Mr. REDLIN. Yes.

Mr. ENGELMAN. That is correct. This was a price analysis of the effect of certain given quantities of supply on the weekly average price at that market when compared to other markets in the area. We took a seven-market average to see how market prices were affected.

Mr. BURTON. Would the gentleman yield to me?

Mr. REDLIN. Certainly.

Mr. BURTON. This is what I am trying to get at. What I am interested in getting at. What market are we talking about?

Mr. ENGELMAN. I do not think I am at liberty to divulge this.

Mr. BURTON. You say you are not at liberty to divulge it?

Mr. LEONARD. Let me make this explanation. We will be happy to provide the name if you wish.

Mr. BURTON. The name; the name.

Mr. LEONARD. The name of the market.

Mr. BURTON. The market. You are talking about one market.

Mr. LEONARD. One market. Right. But the data that was developed in that market we obtained from the packers. We had to do this through a compulsory process and if we divulge the names at this point, it may expose some information, trade information, that would do damage to them.

Mr. BURTON. I do not mean to impose further on the gentleman's time, but I am trying to make a point that they are talking about a market and a place and they are not talking about a national picture and if the chairman will recognize me later on, I want to develop that point further.

I thank the gentleman for yielding.

Mr. REDLIN. You are entirely welcome.

Mr. LEONARD, my point is if I want to seek to understand this, regardless of the particular market, but at any rate, at a market, you did determine if a hundred head of cattle were moved from the slaughterer's own yards and used in the slaughter operation that day that it has 10 times the effect as a hundred cattle coming in from John Jones out on section 28.

Mr. LEONARD. That is right.

Mr. REDLIN. All right.

Mr. POAGE. Any further questions of Mr. Leonard?

Mr. DOLE. Yes.

Mr. BANDSTRA. Yes.

Mr. DOLE. Go ahead.

Mr. BANDSTRA. I want first of all to commend you gentlemen on a very well prepared statement. I think it is one of the most comprehensive that we have had before this committee in a long, long time.

I am interested in Mr. Campbell's testimony on the length of time which it takes to stop one of the violations of the present Packers and Stockyards Act. And in this connection I would like to refer to the consent decree of 1920.

Do you know, Mr. Campbell, how long it took from the time the consent decree was entered into between the Department of Justice

and the five largest packers in the country to the time it was actually enforced and the packers had complied with all the provisions of that consent decree?

Mr. CAMPBELL. I do not have that information. The situation would not be closely comparable since that was a consent decree. The parties actually consented to the order which was issued, whereas the 6 or 8 years I was talking about would take place in the event you had to litigate such an order.

Six or eight years would be consumed in the litigation process, and even after the final order, then you would have this period that you are referring to to make sure everyone was really complying after the litigation.

Mr. BANDSTRA. I see. Well, my understanding is that it was not enforced until about 1930. In other words, even under a consent decree which the packers had entered into voluntarily, it was about 10 years before they finally complied with the decree. And so I am even somewhat surprised that you could get compliance in just 8 years.

Now, I also notice a reference in your statement regarding this consent decree and apparently a decision by a Federal court in 1960. What was actually taking place in that particular case, in that particular action?

Mr. CARTER. My name is Harold Carter, from the Office of General Counsel. That was a case brought by some of the packers involved in the original action for a modification of the consent decree in order to permit them to go into some of the retailing operations, and the U.S. District Court for the Northern District of Illinois reviewed the petition and denied it, and so the original consent decree stood as it was originally entered.

The decision was rendered in 1960 and it is reported at 189 Federal Register Supplement 885.

Mr. BANDSTRA. I understand. In other words, the consent decree of 1920 has still been active as late as 1960; is that correct?

Mr. CARTER. Yes, sir.

Mr. BANDSTRA. Now, I was wondering, too, what has happened in the poultry industry insofar as the need to move with some speed in this particular area. I gather from Mrs. May's questions that she is of the opinion that we can let this thing drag on for a number of years. What actually happened in the poultry industry insofar as vertical integration is concerned, the length of time in which the entire industry was completely vertically integrated?

Mr. LEONARD. In the poultry industry as I recall, it was about 10 or 15 years' time that we had an almost complete shift from an individual enterprise market system to the highly integrated poultry operations which we have now. So it does not take too long.

Mr. BANDSTRA. Yes. In fact, did it not go from about a 10-percent vertically integrated industry to almost a 95-percent vertically integrated industry in about 10 or 15 years as you have indicated?

Mr. LEONARD. Yes. About 95 percent integrated.

Mrs. MAY. Would the gentleman yield? We were speaking of my concern on this. I am interested in what these studies will show, but I am concerned that the study was made in one area and I am assuming it was the Midwest area, yet most of our packer feeding is in the West

and Southwest, it is in my State and Mr. Poage's State, it is in California and a lot of other Western States. And it just does not seem to me that we can make any conclusions on any study that is just going into a market where really the biggest majority, like two-thirds of all packer feeding in 1964 were in those Western States, if you add Colorado and Arizona, and so forth.

This is a supposedly conclusive study that draws conclusions that Mr. Leonard has had in his statement. That is what concerns me, I think, and possibly Mr. Burton.

Mr. LEONARD. Could I address myself to that for a moment?

Mrs. MAY. Yes. I would be delighted if you would.

Mr. LEONARD. As I tried to point out in testimony, we tend to look at livestock marketing as a national market but it really is not a national market. A farmer who decides to ship his cattle ships it to a local market. It is an isolated market in a sense. He does not have the option of sending it to any one of a dozen or two dozen markets. He has some option as to the markets he can send them to, but you generally tend to find that each market is sort of an isolated market. What happens in one market is also happening at the same time in another market.

So that by this reason of logic we can extend what happens in one market to almost any other livestock market.

Now, in the studies, an intensive study was done in one market. They also did some sampling to look at other markets to see if there were enough similarities to make certain that we would have some confidence in the data that we produced.

Mr. BANDSTRA. That makes all the sense in the world to me. What you are saying in effect, as I understand it, is that if this market on which you did carry on the extensive and thorough study showed that the effect of packer feeding was 10 times what the increase in the same number of salable cattle would be, then packer feeding would also have an effect, say, out in the State of Washington or Colorado, but the degree to which it might affect the price could differ somewhat other than 10 times. Is that correct?

Mr. LEONARD. Yes; that is right. The Midwestern market is very similar to markets in the West in that each of them have a few buyers. The major markets have three buyers who are dominant. In every market at least 50 percent of the supply is taken by eight buyers. So that in this sense these markets are alike. They are concentrated. The buying power is concentrated. A single buyer can have much greater impact than a single seller.

Mrs. MAY. If the gentleman would yield further. Mr. Leonard, I want to make my second point here. I am just not yet convinced that there is anything nefarious, anything wicked, anything deliberate to control prices to harm others in the industry, in what has happened in the places where packer feeding has increased so much in the last few years.

I just received, as a matter of fact a telegram from a western area, not from my own State. I will quote from this telegram:

Most of the livestock fed by packers are fed and slaughtered in the West and Southwest and this was done because of the small cattle population in these areas in relation to the demand for red meat. If there had been ample supplies available it is very doubtful that packers would ever have gone into the operation.

Now, this is just a good sound business reason to keep ample stable supply and I just wonder about the validity, the constitutionality, the wisdom of trying to do anything to take away a citizen's traditional right to enter into a lawful business of his choice because it is a good business decision and will help the people he is supplying as well as himself. And this is the point I am trying to make, Mr. Bandstra.

Mr. BANDSTRA. I understand that. But—

Mr. LEONARD. We are not questioning the motives of the packers in this case. Our law, the Packers and Stockyards Act, simply says that we shall prohibit any activities—let me read this. "It shall be unlawful with respect to livestock, meats, meat food products"—and so on, for any packer—"to sell or otherwise transfer to or for any other person, or buy or otherwise receive from or for any other person any article"—and this is the key part—"for the purpose or with the effect of manipulating or controlling prices."

That is, if it has the purpose or effect of.

Mrs. MAY. It is in the law now and I understand that and I know the purpose of this act is that it is legislation to help assure farmers that they can sell their livestock on a market that is open and competitive, that is based on supply and demand. I am behind the Packers and Stockyards Act and that wording and its purpose 100 percent. But if its purpose is to assure open and competitive markets, what could be wrong with a statute that is couched in terms of keeping a free and open competition? I guess what is hard for me to understand is there is nothing very free and open about arbitrarily prohibiting certain to go into certain business.

Mr. LEONARD. I know this is a quandary but you have the similar quandary on the poultry side where you do not have free and open access at all any more. It is all closed up. What we are trying to do in livestock is to work a legislative device that will enable this access to be open, remain open. We do not—

Mrs. MAY. Unfortunately sometimes when you are trying to head for one goal you may end up falling into your own trap and it will just have the exact opposite effect, and this is what has been my concern over the years when we have looked at this legislation. I have not been convinced that a further arbitrary action, legislative action, is the way to get a keep-free and open entry for everyone. You can't do it on the basis of having a special system for one group of people and another for another.

I have taken too much of your time.

Mr. BANDSTRA. That is OK. But maybe I can help you clear up that point, Mrs. May. I recall at the hearings in Des Moines there was a man who came in from the district, from Indianola, Iowa, who had formerly been—I guess he raised poultry, turkeys. He came in in opposition to the bill.

However, during his testimony it developed that he went in to sell his turkeys in one particular year and the buyer said, well, you have got nice birds there but I am sorry you just do not have enough of them. And this turned out to mean that the business had by this time been vertically integrated. He had the choice of either going out of the turkey business, which he did, or where he could sign a contract with the feed producer.

Now, that is not a very open or competitive situation and if I can just address one more question to the gentlemen here, is not the very purpose of the bill, as you understand it, to provide for an open competitive market and to make sure we maintain one?

Mr. LEONARD. Yes; exactly.

Mr. BURTON. In what area?

Mr. BANDSTRA. In the——

Mr. LEONARD. In the whole livestock industry.

Mr. CAMPBELL. In addition to this price study, we did interview sellers of livestock at the public markets throughout the United States including sellers, commissionmen, in western markets and without exception these commissionmen said they were at a distinct disadvantage when they were trying to sell livestock to a packer knowing that that packer had in his own feed yard, in his own backyard, livestock which he could bring in any time he please. So your western sellers, if they feel at a distinct disadvantage when they are selling livestock on a commission basis for farmers, that means that they cannot hold out for the top dollar that they think the livestock are worth. They are going to have to let them go a little bit cheaper than they otherwise would have to, merely because in the back of their minds they know that any day of the week that packer can decide this is the day I will use my livestock instead of paying your price at a public market.

Mr. BURTON. Would the gentleman yield to me?

Mr. BANDSTRA. Yes.

Mr. BURTON. Is it not true that the great bulk of your statistics that would be contained in this study are obtained from three meatpackers?

Mr. CAMPBELL. Six packers were involved in our study. Four are actually packers that you would normally consider as packers and two are chainstores who are also slaughtering livestock. These are the six largest packer-feeders in the country. We took the six largest to show what the effect would be.

Mr. BURTON. Well, Mr. Chairman——

Mr. POAGE. Let the Chair intervene right there. I do not think this committee is going to call upon the Department or anybody else to divulge the source of your information, not unless this committee votes to do so. I am not going to call upon these witnesses to tell us who gave them that information. To do that, I think, we simply break down the confidence that the industry should have in the Department and if the Department says that there are three packers or six packers and says Wilson and Neuhoﬀ and Roth, then, that is——

Mr. BURTON. Mr. Chairman, you mentioned names, not me.

Mr. POAGE. I mentioned names simply picking names out of the list. You might just as well say Swift or Armour or Smith, but I think it is perfectly clear that if you go to pinning this thing down and saying that there were "three," there were "five" or something of that kind, that you——

Mr. BURTON. OK. I just say I think you are right, and I think you do me a disservice, Mr. Chairman, if you infer that I was trying to get them to name names.

Mr. POAGE. I thought you asked them a while ago.

Mr. BURTON. No.

Mr. POAGE. You asked them to name the markets and said there was only one packer there. They told you there was only one packer there.

Mr. BURTON. I tried to point out they were talking about one market. I was trying to find out how many packers were involved in the study. I thought three, they said six.

Mr. POAGE. One man.

Mr. BURTON. I did not ask them for the names but the point of the business is that I am interested in 600, more than 600 independent packers that I do not think were taken into consideration in this study. That is my only point.

Mr. POAGE. That is entirely proper, I think, but I do not think it is proper and I want the witness to know that as far as this Chairman is concerned, you do not have to give these names.

Mr. BURTON. I was not asking for the names.

Mr. LEONARD. We will hold by your decision.

Mr. POAGE. Go ahead, Mr. Bandstra.

Mr. BANDSTRA. I only have one further question. I was interested in the latter part of the statement in which you indicated that the bill would be more or less self-regulating and would be less expensive than the way in which you enforce the Packers and Stockyards Act at the present time. Is that correct?

Mr. CAMPBELL. That is right.

Mr. BANDSTRA. In other words, it would be an economizing bill?

Mr. CAMPBELL. Very much so, yes.

Mr. BANDSTRA. I am happy to be on that side. And I hope my colleagues will join in this economizing effort to save the Federal Government some money.

That is all I have at this particular time.

Mr. POAGE. Thank you, Mr. Bandstra. I want to give time to Mr. Dole but I would like to ask him to yield to me for a moment.

Mr. DOLE. Certainly.

Mr. POAGE. The Chair is going to have to leave.

Mr. DOLE. Can we vote now?

Mr. POAGE. I know you can question the witness and I wanted to call Mr. Monfort to the stand and we have four more witnesses listed this morning; National Grange, American Meat Institute, Western States Packers Association, and our colleague, Mr. Burton, wanted to testify. I called on him at the beginning. Mr. Burton, you were not present. So if you will, Mr. Bandstra—

Mrs. MAY. Mr. Chairman, could we go off the record for just a moment.

Mr. POAGE. Off the record.

(Discussion off the record.)

Mr. POAGE. On the record. It has just been reported to the Chair that the bells did not ring but let us find out if the House is meeting.

Mrs. MAY. I just wondered could you check—

Mr. MURRAY. The House is going in at 11 o'clock.

Mrs. MAY. Is the food-for-peace conference coming up right away?

Mr. MURRAY. All three. Public Law 480, child nutrition, and the amendments to the Federal Seed Act. We have three bills on the first thing.

Mr. GREIGG. Realizing that we will have only 2 days of hearings on this important piece of legislation, could we reach some agreement within the committee that we would come in at 9 o'clock tomorrow morning under the circumstances?

Mr. POAGE. I see no reason why we cannot meet at 9 o'clock if we want to. Is there any objection?

Mr. DOLE. I object, since I have other commitments.

Mr. POAGE. Mr. Dole objects. All those in favor of meeting at 9 o'clock tomorrow, hold up your hands. Those opposed, hold up your hands. The motion is carried. We will meet at 9 o'clock in the morning.

Mr. Bandstra, if you will take over.

Mr. BANDSTRA. Mr. Dole.

Mr. DOLE. The record should show first of all that members on our side were not able to attend the rally in Des Moines in April. We are pleased to be present this morning.

I would also correct at this point the story which appeared in the Des Moines papers that Republicans on this subcommittee "boycotted" the rally in Des Moines last April. I, for one, was not notified about the rally until a very late date and this was true of other Republican members.

Now, with that, I want to determine, too, from the Department, if this is a priority bill for the remainder of this session? Are you proceeding in the Senate, too, or just the House side?

Mr. LEONARD. So far as I know, there are no hearings on the Senate side.

Mr. DOLE. Are there any bills introduced on the Senate side that you know of?

Mr. LEONARD. We will have to plead ignorance on that. We can check.

Mr. DOLE. You have not been asked to testify?

Mr. LEONARD. We have not been asked to testify.

Mr. DOLE. Well, I do not know when Congress is going to adjourn but this is a factor. I am uncertain of what the merits or demerits of the legislation may be, but many of us are hopeful of adjournment next weekend.

Now, is it your intention to push for passage of this legislation or just for hearings? What does the Department have in mind?

Mr. LEONARD. We think this is an important bill and we would like to see it enacted. Whether it would be or not really is not up to us. It is up to the Congress.

Mr. DOLE. Well, do you have any other further plans other than this one appearance this morning?

Mr. LEONARD. We will be happy to be before the committee as long as they want. We can come back and make ourselves fully available.

Mr. DOLE. Has there been legislation of this type in previous Congresses?

Mr. LEONARD. There have been two bills, the Roosevelt bill and the McGovern bill introduced in 1963 that would have been a \$30 million limitation, and then a Roosevelt bill which would have prohibited—

Mr. DOLE. Is that James?

Mr. LEONARD (continuing). Retail. Yes. James Roosevelt. The Roosevelt bill, however, did not apply to packer feeding, so I guess

really the only other one similar to this would have been the McGovern bill.

Mr. DOLE. Do you consider this to be oppressive legislation?

Mr. LEONARD. No.

Mr. DOLE. Then, I call your attention to your statement on page 7 wherein you suggested certain changes be made and you state, "If the bill is enacted we believe these slaughter limitations would be less oppressive than the \$1 million limitation on gross sales.

Now, apparently someone must think it is oppressive or you would not say your amendment is less oppressive. Would you clarify that?

Mr. LEONARD. Well, I guess it is a semantic difference. This is less restrictive. I do not think it necessarily would be described as being oppressive. We think our proposal would make it less restrictive.

Mr. DOLE. Or less repressive or oppressive.

Now, just what practical effect would your amendment have that the million dollar provision be stricken and replaced with one with reference to numbers. How many feeder-packers would this apply to, then, your suggestion?

Mr. LEONARD. This would apply to all packers. They would all be under this limitation. In fact, they probably could feed more cattle now than they are feeding.

Mr. DOLE. In other words, you feel this is a broader provision than the one in the Bandstra bill, the million dollar provision?

Mr. LEONARD. Yes; to the extent it permits more feeding.

Mr. DOLE. This then makes it less oppressive.

What about the Department of Justice and the Department of Commerce? Have they expressed any views with reference to this bill?

Mr. LEONARD. You would probably have to call them. We do suggest in our letter of transmittal that you might want to get the Department of Justice views on this.

Mr. DOLE. You have not had any conversation with anybody in Justice or Commerce about the bill itself?

Mr. LEONARD. We have had no direct conversation with them. I understand they may have some different views than we do.

Mr. DOLE. You understand what those views are?

Mr. LEONARD. No.

Mr. DOLE. Well, the point I make again, and, of course, I have no quarrel with hearings on this bill, but it would seem the Department in asking us to act favorably on a bill, would have cleared some of these basic problems with Justice and Commerce and any other agency that might lodge some objection. Are they objecting to the bill as it is, the present language, or do you know?

Mr. LEONARD. I think you would have to ask them about this.

Mr. DOLE. Well, you are here testifying for it.

Mr. LEONARD. We are testifying for it. We are presenting the Department of Agriculture's position.

Mr. DOLE. It is my understanding that the broad purpose is to permit free and open competition, is that correct?

Mr. LEONARD. Yes. To carry out—and further carry out the purposes of the Packers and Stockyards Act.

Mr. DOLE. I followed the colloquy with Mr. Bandstra and also Mrs. May. You are, you say, understaffed and unable to carry out the provisions of the present law; is that correct?

Mr. LEONARD. Well, I think every agency probably feels like they are understaffed. I think the real issue here is the time involved in going through the legal route.

Mr. DOLE. Well, have you ever started on the legal route?

Mr. LEONARD. Well, this study is the beginning of it. These are very detailed and involved procedures and they take time.

Mr. DOLE. There are no cases pending now?

Mr. LEONARD. No.

Mr. DOLE. So, you are not so certain—

Mr. LEONARD. Not that I am aware of.

Mr. DOLE. You are not so certain, then, whether the present regulation would be effective or not. In other words, you feel this legislation would complement, at least supplement, existing regulations or provisions?

Mr. LEONARD. Yes.

Mr. DOLE. Now, would this apply to cooperatives?

Mr. LEONARD. Yes. It would apply to all packers.

Mr. DOLE. What about officers and directors of cooperatives? What effect would it have on them if it were enacted?

Mr. LEONARD. Well, they would be subject to the same restrictions as well as any other persons who own 5 percent of the stocks.

Mr. DOLE. Now, are there a great number of people who own more than 5 percent interest?

Mr. LEONARD. Pardon me?

Mr. DOLE. Are there a great many of 5-percenters?

Mr. LEONARD. Let me ask Don to answer that.

Mr. CAMPBELL. I believe with your small packers it would not be unusual to have an individual own more than 5 percent of the stock but as you get into larger companies, then it would be more unusual.

Mr. DOLE. Do you have any statistics on how many are there?

Mr. CAMPBELL. For a co-op, I do not believe any co-op member would own 5 percent.

Mr. DOLE. Are there any figures available on private corporations or private operations where you have numbers? I mean, how did you arrive at the 5 percent, in other words?

Mr. CAMPBELL. We have no statistics showing how many people own 5 percent. Our feeling was that if a person owns less than 5 percent of the stock of a company, he is not really so vitally connected with the company that you should treat him the same as you would treat the company itself.

Mr. DOLE. I understand we have a quorum call. I have other questions, particularly with reference to contract feeding.

Mr. BANDSTRA. We have a quorum call on at the present time and it will be necessary for all the members to go over. Could you gentlemen come back at 9 o'clock tomorrow morning?

Mr. LEONARD. At 9 o'clock? Yes.

Mr. BANDSTRA. The committee will be in recess, then, until 9 o'clock tomorrow morning.

(Whereupon, at 11:15 a.m., the hearing was recessed, until 9 a.m., Thursday, October 6, 1966.)

The history of the United States is a story of growth and change. It begins with the first settlers who came to the shores of North America. These settlers were men and women who sought a new life, a new land. They found a land of opportunity, a land where they could build a better future for themselves and their children. The story of the United States is a story of the struggle for freedom, of the fight for equality, and of the pursuit of the American dream. It is a story of the many who have sacrificed and the many who have succeeded. It is a story of the United States of America.

The United States is a country of many peoples, many cultures, and many languages. It is a country where everyone has the right to life, liberty, and the pursuit of happiness. It is a country where the values of freedom, justice, and equality are held dear. The United States is a country that has made great contributions to the world, and it is a country that continues to make great contributions to the world today.

The history of the United States is a story of the many who have shaped the nation. It is a story of the men and women who have led the nation through its darkest hours, and of the men and women who have led the nation through its brightest days. It is a story of the many who have fought for the rights of the oppressed, and of the many who have fought for the rights of the underdog. It is a story of the many who have built the nation, and of the many who have made the nation what it is today.

The United States is a country of great diversity, and it is a country of great strength. It is a country where everyone has the right to be who they are, and it is a country where everyone has the right to live the life they want. The United States is a country that has made great contributions to the world, and it is a country that continues to make great contributions to the world today.

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PROHIBIT FEEDING OF LIVESTOCK BY CERTAIN PACKERS

THURSDAY, OCTOBER 6, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Olson, Redlin, Bandstra, Greigg, Callan, Mrs. May, and Dole.

Also present: Representative Burton of Utah, Hyde H. Murray, assistant clerk; Martha Hannah, staff; and Fowler West, staff assistant.

Mr. POAGE. The committee will please come to order.

Did Mr. Leonard finish?

Mr. BANDSTRA. No; he did not.

Mr. POAGE. Well, there is nobody here to cross-examine him. He is finished now. Thank you, Mr. Leonard.

The next witness we have is listed as Mr. Harry Graham, but we have several out-of-town witnesses.

Mr. BANDSTRA. Mr. Chairman, Mr. Graham told me yesterday, after the hearings concluded, that he had to leave to go out of the city and that his statement will be submitted.

Mr. POAGE. Without objection, his statement will be made a part of the record.

(Mr. Graham's statement follows:)

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

Mr. Chairman and members of the subcommittee, my name is Harry L. Graham and I am the Legislative Representative of the National Grange.

Grange history for a century, less one year, has been interwoven into American political, social, and economic thought, but at no point has its influence been more pronounced than in the field of monopoly control legislation.

The original stated purpose of the Grange was to "educate and elevate the farmer." Mr. Kelley, the father of our fraternity, reported back to his associates in Washington, D.C., in 1868, "I don't find much interest in educating and elevating the farmers. All they want to talk about are those darn monopolies."

Five years later, the Grange had become the rallying point for all those who opposed monopolies. During the first three months of 1874, there were over 2,000 local or subordinate granges organized per month. Indeed, the greatest Grange growth occurred during those years when we were most active in the battle against monopolies.

Let me continue a moment longer on this history because it is pertinent to today's question. The National Grange Delegate Body met in St. Louis in 1874

and was faced with two policy alternatives: either permit the economy to develop without government interference with the monopolies and cartels, or to nationalize transportation and basic industries—in other words turn to communism, as socialism was then called.

The Grange in an historic decision, after more than two weeks of discussion by the Delegate Body, chose neither of the alternatives. Instead, it decided to keep our economy within the mainstream of capitalism, but to bring its capitalism under Law.

It separated industry into two categories. First were those industries, by nature, monopolistic—generally created by some kind of franchise, such as transportation, and later utilities and communications. These were regulated by the passage of the Interstate Commerce Commission Act plus many similar State laws. The Grange contended successfully before the courts that "that which the state creates, it can regulate."

Later were added the various controls over other forms of transportation, such as interstate trucking and the airplane industry. Other industries, of course, were regulated with the passage of the Sherman Antitrust Act.

These acts, known as "the Granger Laws," are the cornerstones of U.S. economic policy, and set the United States squarely in the middle of the economic road by rejecting, at the same time, both socialism and laissez faire economy.

Other legislation was passed in an effort to preserve, as best as possible, the free competitive market and to prevent manipulation of that market. Our whole economic system is based on this concept of law. Under it we have broken up monopolies; we have forbidden them from being formed; we have prosecuted those who were guilty and allowed innocent victims to sue for and receive damages as high as triple the economic losses they sustained.

The test of a monopoly is whether or not it is able, by its action, to influence the market significantly.

The application of the Granger Laws, bringing the capitalistic structure under Law, has not restricted industrial growth, nor eliminated profits, nor deterred investment. Quite the opposite is true. It has stimulated the widest possible investment and served to create the greatest industrial complex the world has ever known.

The protection around American agriculture to try to strengthen and preserve the owner-operator or "family farmer" has produced the most productive agriculture of all time. The benefits of this system have accrued to our domestic consumers, who now buy the greatest variety of food, of the highest quality, for the smallest part of their earnings in all human history.

We have recently been bombarded with a well-planned barrage in favor of a return to the "free market." Many American farmers have been beguiled by the siren's song, composed by those whose wealth has been and could still be accumulated from the wreckage of economic ships, piled on sunken reefs and hidden rocks below the siren's stage.

In the name of "efficiency," we have laid the axe at the root of the American economic tree. If not stopped, we will see the poultry and egg industry disappear from the farms under monopolistic, controlled, vertical integration.

We see the same tactics of economic aggression being employed in the beef feeding industry.

A few years ago, there were reports in the papers indicating that a large feeding company, having an interlocking directorate with a large grocery chain, was expanding its West Coast operation into the Midwest with a goal of 100,000 feeders per year.

Congressman Bandstra, who introduced this legislation, has also placed into the Congressional Record (January 18, 1966) the newspaper accounts of plans of the Iowa Beef Packers Inc. to expand their feeder operation to 100,000 per year. This, according to the article, "will be another step by the firm toward a vertically integrated program", including both a packing plant and a "breaking" plant.

The Grange does not argue with the integration of operations within the packing industry itself. The application of the Sherman Antitrust Act, over thirty years ago, to the packers delineated this area by requiring the packers to divert themselves of all retail outlets. In other words, their field of activity was limited to the stockyards through their wholesale outlets, excluding retail outlets to preserve the competitive system.

Now we have integration going the other way. Not only is this a further concentration of wealth and control over the economy, but it certainly establishes

another opportunity for the manipulation of the market and for destroying competition, especially in the feeding industry.

One hundred thousand cattle per year means that this one company, if it wishes, can place on the Omaha and Sioux City markets 5,000 steers for five weeks. Those markets last week handled 30,212 feeders, including stockers, in the first four days.

If they were adding 16 per cent to this volume from their own yards, they could soften up the market and buy back both their own and other feeder cattle at a reduced price.

The experience of the National Farmers Organization is that control of 15 per cent of a market is enough to shake it substantially. By being in a position to release the projected number selectively on the market at any given time, the market would be depressed, not only at Omaha and Sioux City, but all across the country.

Therefore, if they are able to influence the market significantly, they become a monopoly—historically prohibited under the Granger Laws.

The possibility of the spread of this system to the major packers becomes a nightmare for agriculture.

Of as great a danger is the possibility of the growth of integration around the chain stores. Some of them apparently are engaged in packing and feeding. To permit a retailer to engage in the packing industry, while prohibiting a packer from retailing, does not seem to be consistent.

In our judgment, the prohibition against feeding and marketing should apply to retail stores and chains as well as *bona fide* packers.

Contract feeding would present the same opportunities for market manipulation and undue market influence as would packer or chain store feeding and should be prohibited for the same reason.

The only provision of H.R. 12115 which we think should be changed is the exempted amount of \$1,000,000 gross sales per year (Section 202A). This seems to be rather high, and we would prefer to see it cut in half.

If the integrity of the \$250 billion invested in the farm production plant is to be maintained and protected, we must guard against economic aggression. We have wisely passed legislation during the past thirty years to reduce the disastrous effects of the cyclical fluctuations of the economy. We have helped farmers reverse the downward cyclical trends, and, consequently, the agricultural picture has improved for most commodities. Now it is time to assure some protection to the broiler and beef and pork feeding industry from monopolistic controlled vertical integration.

The argument that the packers will be able to improve on the efficiency of feeding is not valid. There are private and corporate feeding systems as large as the one projected for Dennison, Iowa and inserted into the Record by Mr. Bandstra. Efficiency has been attained and it is being improved.

There remains one option open to packers who want to do some forward buying and that is to use the facilities of the futures market. We can not agree that this is a necessary device, at this point.

The Grange is concerned with the growing size of the feeding operation. However, it is not the size, itself, concerning us, but the possibility of market manipulation and undue downward pressure on prices.

Therefore, we commend the Congressman from Iowa for introducing this bill. We hope that it will receive a favorable response from this distinguished subcommittee and will be placed high on the list of bills for action by the next Congress.

Mr. POAGE. Now, I see that we have our colleague, Congressman Earle Cabell with us, who has a guest from his hometown who I understand wants to get back home and who is properly counting on being the first witness this morning, as he is scheduled this way. I am therefore going to call on Congressman Cabell to make any statement he wants to and introduce his witness.

STATEMENT OF HON. EARLE CABELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. CABELL. Thank you very much, Mr. Chairman, and members of the committee, for granting this courtesy. I think all of you are

quite aware as to the necessity for it inasmuch as we do have other duties on the floor.

Mr. Chairman, my purpose of appearing here is in opposition to H.R. 12115 and rather to support the general premises of the resolution as passed by the National Independent Meat Packers Association on May 20, 1966. However, the ensuing witness, the executive director of that organization, will go into more detail on that.

My purpose is threefold. Naturally, since I have a constituent who is deeply involved in this, Neuhoﬀ Bros. Packers, operating in Dallas, who has extensive feeder operations, also in opposition to the general premise of tying the hands of a business enterprise to the extent that he cannot have a very definite dependable source of supply of his raw materials and where the quality of those raw materials can be controlled, and further, there is a definite impact upon the agricultural economy of our State and our region.

The packers, of whom I have knowledge, and intimate knowledge, did not get into the feeding business because they wanted to or because it gave them any competitive advantage. Instead, they have been forced into it in order to control the quality of their raw materials. As the chairman well knows, for many years, while our State has been known as a beef State, it was—you could not find a piece of beef in the stores or on the table of an institution that had been fed in our own State or fed with our own grains, the cattle left as stockers or feeders and, consequently, our own packers were at a distinct disadvantage in handling the institutional beef trade and in handling the growing demand by the supermarkets for very strictly graded beef.

Consequently, since private feeders could not give them this source of supply, it has been necessary for them to make direct investment in order for this control to be available.

They would be glad if they could get a dependable operator to recover that million-and-a-half-dollar capital that they have tied up in their feeding operation. They tried on many occasions to assist feeders in this type of operation so that they could have the type of beef which they wanted to meet the demands for strictly graded and institutional beef.

I would like also, if I may, to call attention to the committee with reference to the agricultural economics of our area, and that is that by having these feeding operations available the livestock raiser has a more ready market for his cattle. He has a market that is not dependent entirely upon season as he has been dependent on in the past.

Another angle in there which certainly, Mr. Chairman, you are far more familiar with than I is the fact that we have lost our position in the world cotton markets. Consequently, a great deal of that land has had to be put into feed grains and by having these feeding operations within our own area, and which is the area of consumption—it is not for export purposes—then not only is there the market for the cattle, for the feeding purposes, but then there is a market for the grain raiser close by and so, therefore, you have an opportunity for a better market for the grower, and then the housewife can get some benefits by virtue of the fact that you have so much freight and movement of these commodities eliminated.

So, Mr. Chairman and gentlemen, I urge you to give very careful consideration to this. This is another instance, I think, of imposing

undue restrictions and imposing unneeded Federal regulations upon a group of people that would much prefer to be able to compete in the market and to be able to operate their businesses along sound, efficient, and economic lines.

I will close by saying that in addition to the packer involved which I mentioned who has this feeding operation, that within my district there are also several small packers. These packers are also opposed because they do not feel that they are being given unfair competition by virtue of the larger packer who is feeding but they feel that they might at some time need that flexibility themselves and that it is just another unwarranted encroachment on the operation of a highly vital and very complex industry.

There are two gentlemen that I would introduce to you and then I am sure that you will hear from them according to your schedule. We are not asking any preference in this connection. One is an attorney, a constituent of mine, who, by the way, is mayor of Terlingua, out on the llanos estacados of west Texas but is a rancher-attorney. Mr. David Witts, I would like to introduce to the committee. David, will you stand up.

And then the executive director of the National Institute of Meat Packers, who, of course, has already requested time.

I will be very happy, Mr. Chairman, to answer any questions or submit to any cross examination.

Mr. POAGE. May I go off the record?

(Discussion off the record.)

Mr. POAGE. Back on the record. We are very much obliged to you, Congressman Cabell. Congressman Cabell has not only been mayor of one of our great cities, mayor of Dallas before he became a Member of Congress, but he has long been engaged in the agricultural business.

The Cabells operate rather extensive dairy operations, milk and ice cream, dairy products, and so, although he comes from a big city, he has a very definite personal background and interest in—

Mr. CABELL. I am definitely agriculturally oriented.

Mr. POAGE. I think there is no question about that. We are glad to have you with us.

Mr. CABELL. Thank you.

Mr. POAGE. Any questions of Congressman Cabell?

Mr. CALLAN. Mr. Chairman, Congressman Cabell and I have got to know each other very well and I have the highest respect for the gentleman. I was just wondering, though, as a result of these hearings, if there is thoroughly conclusive evidence showing that certain markets, packer feeding, could have a detrimental effect on the operation of free market system, do you think then that the Congress might consider legislation to at least curtail it? For instance, in the central markets, the information we have had in the past has indicated that by moving so many head of cattle into their packing plants or moving cattle into the market on a particular day when there might be a short run, that this can have an effect of pushing down the price even though there are not too many cattle that come in from other sources.

Do you think that this is kind of a restraint of trade if this goes on? In other words, you have a packing company that has a large feed lot right outside the central market and they pretty well know how many cattle are going to be on the market next morning. So early in the morning they load up trucks and have 300 or 400 head of cattle down

in their own packing plants or even in the stockyards for sale. And as you know, you have to just tip the scales a little bit and you can get a downward pressure of 25 to 50 cents a hundred.

I think this is the thrust of the Bandstra bill. I for one do not want to see us curtail anybody's right to be in business or right to get into any kind of business they want to but when you have a situation where you can control the local market, I do not think this is to the best interest of the farmer, the consumer, or anyone else, and I just wondered if evidence showed that this could happen, do you think that this committee should logically consider some kind of legislation?

MR. CABELL. I do not quite agree with the premise that it acts as a control of the market. If my information is correct, it is such a small percentage of the total slaughter that it would be very difficult to say that it would have a serious impact on the market.

To the contrary, as I see the picture, this is an effort on the part of the packer to be able to insure not only the quality of the cattle that he wants to bring into his plant but it insures the availability of the numbers involved because you run into situations, and you are much more familiar with this than I, of where there will be days when the flow into the market will be very, very small, and then if your packer is denied the opportunity of having a backlog of having a cushion from which to draw, then he is in a bad position with reference to his operations and meeting his commitments.

Now, I am sure that there is a great deal of interest in this on the part of your big stockyards. You say this is draining them. Gentlemen, in our part of the country, the drain from the big stockyards has not come from this type of operation because it is too small to have any impact on it. What has happened to the big stockyards has been the small buying barns and buying rings that are in almost every county seat in the agricultural areas. And so the farmers are bringing their cattle to these local decentralized barns and buying rings rather than transporting them into the more centralized stockyards as they did in the past.

MR. CALLAN. I found generally in the Omaha market—this is the one I am acquainted with because I have sold cattle on the market—most generally—generally the livestock is available because on certain days they have to pay more for it if there is a less supply. If there is a greater supply you do not have to pay so much and by just sending a few head of cattle in there or having some cattle moving directly into your packing plants, you start this kill before you have to go out in the yards and buy, I can see very definitely where you could get a downward effect of 25 to 50 cents a hundred. As a matter of fact, testimony out in Des Moines shows that a feeder in the Omaha area admitted that—well, I will go back. This feeder feeds for a large packing company. He admitted that there are certain days that they pull more cattle out of those feed lots than other days and he admitted this could cause a drop in the Omaha market on this grade of cattle from 25 to 50 cents a hundred. So this is really unfair competition to the farmer who brings his cattle into the market, and once you have them in the Omaha market you cannot take them home. The freight will kill you. If you are faced with 300 or 400 extra head of cattle on that market it is going to cost you 25 cents a hundred. On a hundred head of cattle that is pretty tough competition and that is what I want to point out to the gentleman—

Mr. CABELL. I think there is certain logic to that, Mr. Callan, but it is very difficult to repeal the laws of supply and demand. I think that is what governs that more than any one thing.

Mr. CALLAN. This is true, but if the packer was not feeding, the regular supply and demand would take care of itself.

Mr. POAGE. Are there any further questions of Congressman Cabell? If not, we are very much obligated to you, Mr. Cabell. We appreciate your attendance here and want you always to come back to our committee.

Mr. CABELL. Thank you very much.

Mr. POAGE. Are there any other Congressmen here? Now, the Chair wants to make it plain that Members of Congress who want to be heard will be heard when they are here at the beginning of the meeting, but we are not going to delay the meetings until Members straggle in.

Mrs. MAY. I am sorry, Mr. Chairman. [Laughter.]

Mr. POAGE. We will hear any Member of Congress who wants to be heard and if they are here at the beginning of the meeting, we will hear them at the beginning of the meeting. If they are not here at the beginning of the meeting we will hear them at the end of the meeting. I think maybe the easiest way to proceed, right now, would be to hear Mr. Witts, whom Mr. Cabell just introduced. We will be glad to hear from you, Mr. Witts.

STATEMENT OF DAVID A. WITTS, W RANCHES, DALLAS, TEX.

Mr. WITTS. Congressman, I appreciate so very much the opportunity given me to appear here. My name is David Witts. I am an independent cattle rancher operating ranches in Texas and Nevada. I am a breeder of both registered and commercial cattle.

My appearance here represents no association, committee, or group, and I speak strictly for myself, an independent producer of beef cattle for the American market.

My presentation to the committee is based upon the condition of the market as it affects the rancher, and to me there is something basically wrong when the rancher or the cattle producer is receiving 10 percent less for his product than he received 15 to 20 years ago at a time when the price the consumer pays has increased more than a third during the same period of time.

Now, there are many figures illustrating these points and I know that this committee and the various members of it have labored in vineyards for years with them and those figures are in my statement and I will not labor the point except to suggest that the rancher is receiving less and less for his product while the ultimate consumer is paying more and more, and all this going on at a time during the 1950's and 1960's when the economy of our country has been prospering and booming, and yet during this time, except for occasional happenstance years, the payment to the rancher for his beef cattle has continued to decline.

Now, during the last 20 years the rancher has not fundamentally changed his way of doing business. As a rancher we still raise cattle and take it to market pretty much as we have done since Biblical times, the only difference being that in order to stay in the market today we have to conserve our soil, replenish our water, fertilize our fields, inoculate our herds, improve our breeds, increase our market-

able cuts of beef, all of which are to the advantage of the consumer but directly to the cost of the rancher.

Now, what has changed in the processing of cattle from the time it leaves the ranch until it gets in the consumer's market basket, I think, is the advent of the supermarket or the process of retailing. I do not say that this change in the method of packaging and selling is bad and I am, of course, glad that the consumer does not have to stand in line waiting for the butcher to make up a cut of beef, or to brush the flies off the meat as it hangs as you do in most other places in the world. But the fact remains that the retail stores as such today in the metropolitan areas of the country are by and large the end product of a strong vertical integration that leaves them in such a position that they are capable of dominating the market. Whether or not they do I have no way of knowing.

It was interesting to me that the laws of Texas actually prohibit corporations from raising cattle and owning land therefor, operating stockyards and slaughtering, refrigeration, canning, curing or packing meat just as they prohibit oil companies which produce the oil from the ground from engaging directly in the pipeline business.

I, of course, have no way of knowing the legislative reasoning and I did not research the legislative history for these statutes, but I suspect the basic premise was to prevent a producer from controlling these two such important products of Texas all the way from the soil through processing, refining, transportation and marketing down to the consumer. But, of course, Mr. Chairman, as you well know, Texas is the leading State for both cattle production and for oil and gas.

Now, it occurs to me, and believe me, I do not consider myself an expert in any phase of this, but it seems to me that the spread of the price can occur in any three areas. First, it can occur from the rancher to the wholesaler or the wholesaler to the retailer or the retailer to the consumer. In studying the Department of Agriculture reports, what they have shown is that spread occurs in only two areas. It occurs in the wholesaler to the retailer and retailer to the consumer and of that spread, the wholesaler to retailer accounts for 3 percent of the price increase and the retailer to the consumer accounts for the other 97 percent, and this leaves the rancher, the independent producer like myself, pretty much out in the cold because we are getting 10 percent less for our product than we did 20 years ago despite the fact that every cost, every incident of our doing business has increased dramatically during this same period of time, and, of course, this is one of the reasons why the cattleman gets so mad when he reads about his responsibility for the rising cost of food. It just really is not so.

Now, I, of course, realize that the purpose and function of a legislative committee is to learn the facts and I am here simply to state these facts as they are known to me. I do not feel qualified to make any specific legislative recommendations. I do know this about the independent beef producer, that we fought Government controls, we resisted price supports, and we have refused subsidies, and that, as I say, may be one of the reasons we are in the soup today, I do not know, but it appears to me that Government controls, subsidies, or price supports are not the answer because we all recall that within very recent times Argentina was a rich beef-exporting country and the Government got into the act down there with controls and sub-

sidies and Argentina is now a beef-short country. Actually they have meatless days in Argentina.

If I had to make a guess at the real problem of the cattleman, aside from the problem that you have here of the packers and the feeders, I think that the problem of beef producers arises substantially from the imports. We are importing almost 100 million pounds of meat each month, two-thirds of which is beef, and we are importing at the levels of 1963 at the time when the import control bill was enacted.

It seems to me that the cattle cycle in this country has come and gone, come and gone, ever since beef raising and cattle producing has been an industry and that the one thing that all of a sudden has changed to the detriment of the cattle producer is the tremendous influx in imports which have occurred, oh, in late 1948 or whenever the tariff was dropped, to the point where we are importing, I think, in 1963 at the time this bill was passed, 1,750 million pounds of meat, which translated is about almost 4 million head of cattle, which is a figure that is too imponderable for me to fool with, but breaking that down it averages out about 80,000 head a week, and as you know, in cattlemarketing at a small auction, or in a small marketing, one load of cattle can soften or break the market, and when you are confronted with the equivalent of 80,000 head a week hitting our market, it seems to me that that has the most damaging and detrimental effect to the independent producer because the independent producer really has no control over his marketing conditions.

As you well know, your cattle are ready and your range is short, you have got to go to market. An independent producer like myself has no staying power. We cannot stay. We cannot carry over unless we want to feed.

So it is my hope in my appearing here that you will continue the work of the committee because I think the existence of the committee and the very hearings themselves have a very salutary effect on those influences that might try and preempt or exercise undue influence on the market. And I hope you will continue to do so because with the vigilance that a congressional legislative committee has, I think you can keep out harmful influences that would tend to destroy the free market.

I received this morning from John White, Mr. Congressman, air-mail, a speech he had written—he had prepared and delivered to the Producers Cooperative Association at Texas A. & M. on May 19. John White, of course, is the Texas commissioner of agriculture, and he points out some very interesting facts about food costs, farm values, and the overall relationship between the producer and the consumer, and although I have only one copy of that, with the Chair's permission I would like permission to attach it and make a copy—make it a part of my statement, if I may.

MR. POAGE. Without objection it will be placed in the record.

MR. WITTS. Thank you, Mr. Congressman.

MR. POAGE. Thank you very much, Mr. Witts. I think you have made a most interesting statement and I think you have touched on some of the fundamentals that need to be presented to the American people—the fact that the producer of livestock is actually getting less and the consumer is actually paying a great deal more than 20 years ago is to me basic in all of our considerations here. I want

to commend you for your statement. And, of course, when anybody commends you, you understand they are fixing to say something else, too, I suppose. I do not mean to be condemning any individual, but I think that as a whole, one of our greatest weaknesses, particularly in the livestock business, is that we will not face the facts. We are all prone to refuse to face the facts.

Now, as you may know, Mr. Witts, I was reared on a ranch out in central west Texas.

Mr. WITTS. I know that, Mr. Congressman.

Mr. POAGE. And I still have just a few head of cattle out there now and I am deeply interested in this thing, but I am not one who believes that the cowman has refused subsidies. I think the cowman has taken his full share of subsidy and still gets them. I am one of those who voted for the present limitations on importation.

Mr. WITTS. I know.

Mr. POAGE. But I think we are just closing our eyes and sticking our heads in the sand when we come out and beat our breasts and say we do not take any subsidies. I can see no difference in the wheatman's subsidies and the subsidy that is given the cowman as a result of these tariff limitations and I again repeat, I voted for them. I am not opposed to subsidies. I take them. Everyone I can get from the U.S. Government I take. I take the soil conservation payments and I take money for building tanks. I take everything I can get legally. I think maybe I know two producers who do not. But I know thousands who do. I do not see any reason for us going out and saying that we do not take these subsidies. I do not see any reason for denying that this limitation on importation is in effect a Government subsidy to every producer of livestock. I think it is a justifiable subsidy, but why not admit that it is a subsidy because it raises the price of the product, it comes out of the pockets of the consumers of the country and it could not be there without governmental action.

Mr. WITTS. That is right.

Mr. POAGE. It is the result of the Government acting to raise our prices. I like it. I am not opposed to it. But to me it seems that our cattle people would get along further if they come up here and frankly admit, as the cotton people do, that they are getting subsidy and they are dependent in a large degree upon governmental action for their prosperity.

We are in a whole lot better shape than we were a few years ago in the cattle business, not only because we have had some right good rains this year but our prices are a whole lot better. They are not yet where they ought to be in my judgment and I doubt that the consumers' prices are where they ought to be either, but that is one of those long drawn out questions.

I simply want to suggest that possibly we ought to reappraise our own situation and I do not simply mean Mr. Witts. I mean all of us, and I wonder if the cowman should not frankly take the position, as one of the segments of agriculture, that he is interested in getting the best deal that he can from the Government and interested in all the Government help he can get because I do not know anybody who is getting along very well with this idea of just doing it all himself. Our society has gotten too complex for that. It is too interdependent.

These oil people are in the same shape. And I think I know why the Legislature of Texas has tried to prevent vertical integration in the oil

business. I do not think they achieved much. I think all you have to do is create a subsidiary corporation and proceed with exactly what they proceeded with before the passage of any such legislation, and I do not think that our corporate laws which prohibit incorporation for the purposes of engaging in agricultural pursuits have much effect in the State of Texas either.

But I do want to come back to the premise that I think Mr. Witts has given us one of the most interesting and one of the clearest statements that we have had yet as to the disparity which is rapidly widening between the position of the producer and the consumer. But until we sell that consumer this information, we are not going to get very far with it because that consumer looks at nothing except that increase in the prices she pays. She does not know nor care what Mr. Witts gets for his cattle as he sells them on the hoof, but she does know and she cares very much about what that grocer charges her for that meat at the counter, and she knows the one end of it. We have got to teach her the other end of it as I see it.

I did not mean to take your testimony over and I do not mean this to apply simply to Mr. Witts. It applies to every witness who comes before us. There is just so much of this failure to—

MR. WITTS. Congressman, you have lived with these problems for years and you have forgotten more than a bunch of cowboys will ever know and I recognize that and appreciate it and but for the efforts of people like you we would have been a lot worse off than we are today.

I want to clear up my statement on the subsidies and the benefits. I meant that we had not received direct benefits as many had.

Now, I, like you, could not operate without the wonderful assistance and cooperation we get from the ASCS, the various soil conservation and water conservation programs. As you say, the economy of the country has become so complex that no longer is a rancher an island himself. He is the end product of many economic vicissitudes and rises and falls. But for the assistance of the Government in these agricultural cost-sharing programs, a rancher could not survive. You could not drill your wells, could not terrace your fields, could not improve your forage, could not cross-fence, could not have your irrigation facilities, your ponds.

I do not mean to talk out of both sides of my mouth and if I did that, believe me, I want to be the first to reprimand myself.

But I wonder, Congressman, is there any possibility that you see of imposing import quotas any time in the near future based upon the glut of imports that are hitting America this year?

MR. POAGE. Well, of course, the present law is automatic if you reach the levels the law prescribes—and a growth factor that was placed in it—it will then become automatic, an automatic barrier, to additional importations, but as for the present level of importations, I certainly would be very unfair if I were to tell you I saw any prospect of lowering that. I do not see any prospect of lowering that. But I do think that it is right clear that it cannot go much further under existing law.

MRS. MAY. Would the gentleman yield?

MR. POAGE. Certainly.

MRS. MAY. I think on that point, Mr. Witts, I would like to place a question perhaps to the Chairman himself that we might get into the record.

There has been a persistent and current rumor that under present market conditions today we have a shortage of beef, perhaps also lamb and pork, for processing right now. This is because of the decreased numbers of herds in the United States. I have not seen the largest reports on this situation, but I understand there are evaluations and studies going on. But there seems to be a persistent rumor that the availability of the cuts we use for processing processed meats, canned meats, is going to be in very short supply.

We have to face a very practical matter here, not only in this committee, but as it concerns decision making in the Congress, as the Department of Agriculture and the Department of Commerce, on proper quotas; especially at a time when there is a great deal of complaint about high consumer prices. This could affect the cost of lower priced meat items that are used by lower income, medium income families as basic to their menus. I think that we have to recognize this is one of the pressures right now for increasing imports of certain meats for processing. Hopefully, prayerfully, it will be a temporary condition. In time, we can build our herds back up but these pressures for high import levels may continue. Would the Chairman comment?

Mr. POAGE. Well, we are faced with the dilemma right now that if we are going to supply more of these low-cost cuts from domestic sources, we are going to further deplete our cow herd and ultimately turn the curve of production down rather than upward for a number of years to come, or if we do not deplete the cow herd, then obviously we are going to have a shortage of these low-priced cuts with further pressure for importations.

As far as I am concerned, I would rather protect my cow herd than meet the immediate demand because I think that the—the demand for beef in the United States, if met year by year, will increase. It probably will not be met this year. I have been led to believe that we probably ate more beef this last year than we can eat for the next several years because it simply will not be available from domestic sources. Obviously the consumption of beef is dependent upon the supply that is put on the market because whatever is slaughtered is going to be consumed at a price.

Your movement, your fluctuation, as I see it, in beef is not in the amount that the public will take but the price at which they will buy that meat because they will buy it all at some price. That price may get to where it is ruinous or if supply short, it may go extremely high.

So I would much rather protect our long-time interests which I think—produce more beef than we are producing than to meet this immediate need and I think Mrs. May is clearly right, that there is a demand at the present time that probably could be met but I doubt that it should be met from our American herds.

Mrs. MAY. Well, I am just trying to—Mr. Chairman, if you will yield again—

Mr. POAGE. Certainly.

Mrs. MAY. I think everyone on this committee is a friend of the entire cattle industry but we have a practical problem of selling our viewpoints to our colleagues in Congress. I think we might be able to go out and face a barrage of criticism that sirloin steak and T-bone steak was too high but I would sure hate to try and defend high

prices of hamburger or weiners. I do not want to get it into that position. Our problem becomes how do we keep the proper balance of not increasing imports so it hurts our American ranchers and at the same time avoid the pressure, just the pure political pressures, from the consumer areas if the price of lower cuts of meat all at once take a dramatic rise?

We have got troubles right now as we are selling, trying to sell, your story, Mr. Witts. I wish we had been able to sell it before the high prices came around. We are a little late. We have been trying but we just have not had enough voices like your own.

Mr. WITTS. Well, keep up the good work because wherever the increased price may be, it is not getting back to the producer.

Mrs. MAY. I know. I represent a big cattle area myself.

May I ask Mr. Witts just one question. I think it is pertinent to all you said and it is an excellent statement Mr. Witts.

I do not know if you have read the National Commission on Food Marketing report. We had almost a 2-year study with, of course, in some detail—

Mr. POAGE. Mrs. May was a member of that Commission.

Mrs. MAY (continuing). On this cost-price spread. Do you, from your viewpoint, feel that a main factor in our cattle ranchers getting lower prices over this past decade or two has been the increased feeder-packer activity? Do you think this has been a main factor in keeping the farmer's, the rancher's share of the market down at this level?

Mr. WITTS. No, ma'am, I do not, and I say that not armed with any facts to tell you. I think that the feeder is my customer. God bless him. He is the guy that buys my product. And I cannot sell my range cattle directly to the consumer because it is just grass-fed cattle and it is not coincident with the American taste.

So the answer to your question, as far as I know, and that is based on no facts whatsoever, is "No, it is not the activity of the feeder."

Mrs. MAY. Well, I talk of the feeder-packer. There has been an increase in the field. To control further increase is the purpose of the bill before us that we are discussing. I just wanted you to comment if it was a main factor.

Mr. WITTS. The only facts I know are those that were published in the Agriculture Department "The Beef Spread" in which it pointed out that 97 percent of the increased cost resulted from wholesaler to retailer.

Mrs. MAY. And broken down in the study that we carried on, increased cost of labor, transportation, packaging of meat, what the housewife is demanding in form of meat, retail costs and so forth, make up those increased costs. But, of course, the subject before us today is, Would a curtailment of the feeder-packer operations help the cattleman's price or would it result perhaps in less competition or less efficient marketing and, I think that is the big question before us as we discuss this legislation?

Mr. WITTS. Well, in all candor—

Mrs. MAY. I do not know what the answer is.

Mr. WITTS. I do not see how it could by curtailing the activity of the packer and feeder which leads to wider retail distribution and consumption. I do not see how by so doing you are going to help the

producer who has got to get his product into the channels of commerce because we need all the distribution, we need all the processing, we need everything we can get to get our product out.

Mrs. MAY. Well, I agree with you on what we want—I am fully in agreement that we keep this area of our agriculture business in the United States today as free, as competitive, as flexible, able to meet its problems, and earn its fair share of the market, what thus you put into it.

At the same time, I am wary of any legislation at any time that might prohibit any citizen's traditional right to enter a market of his choice or business of his choice.

Mr. WITTS. I certainly agree to that.

Mrs. MAY. Obviously, they seem to negate one another.

Mr. WITTS. If an operator across the fence line can produce cattle cheaper than I and drive my market price down then God bless him. I am for it. I am in the wrong business and I had better get out of that business and get into another one.

I read the transcript of your Iowa hearings. One witness said a man has got the constitutional right to go broke in any business he wants to. I do not think any inhibitions or prohibitions against a competitive business should be imposed unless and until such time as they have a provable detrimental and injurious effect on competition, and from all I have read, and last night I read the perennial hearings of these committees, I guess you might call it, and nowhere in there could I see where present packer-feeder operation or even retail grocery stores were proven to be necessarily injurious to free and open market conditions.

Mr. CALLAN. Mr. Chairman—

Mr. POAGE. Yes.

Mr. CALLAN. Did you not mention in your testimony that a load or two of extra cattle in the market could drop the price?

Mr. WITTS. You bet it can, Mr. Callan, because you know the old wheeze about you have got four calves and five buyers, you have got a stronger market. You have got—well, the reverse, four and five, you have got a stronger market, five calves and four buyers your market is broken.

Mr. CALLAN. All right. Would not the same hold true at a central market? You get a few too many fat cattle, you break the price of the cattle market.

Mr. WITTS. I think that is an axiomatic factor.

Mr. CALLAN. That is what we are talking about in this feeder bill. In other words, the packer can move a few extra cattle on that market and maybe break the price 25 or 50 cents just as somebody can move some extra cattle into your auction and break the price 25 or 50 cents and that is actually what we are talking about here.

Mr. WITTS. I think that is true, Congressman Callan, and if that is the fact, and if it is done with an intent to economically injure competition, something should be done.

In these hearings I found no hard testimony or provable evidence that those events had occurred, in all candor.

Mr. CALLAN. Well—

Mr. WITTS. Theoretically I agree with you.

Mr. CALLAN. Well, that is what we are trying to get at today, if we can establish the facts, and you would agree that probably we should do something.

Mr. WITTS. In the event a combination or conspiracy in restraint of trade in violation of the statutes and laws of the country injures competition, I think certainly something should be done. That has been the sense of Congress since the original Clayton and the original anti-trust bills.

Mr. CALLAN. Thank you.

Mrs. MAY. Will the gentleman yield?

Mr. CALLAN. Yes.

Mrs. MAY. Is this not covered also, Mr. Witts, under the Packers and Stockyards Act, a provable case?

Mr. WITTS. Insofar as I know from what I read last night, I think it is. I think probably we have the laws on the books now, it would seem to me, to inhibit unfair economic or unfair business practices.

Mrs. MAY. We did hear yesterday that there is some intimation that perhaps these laws are not being administered as stringently as they should be. Perhaps this is something which should be studied. If it is true, is it because of not enough staff, not enough money, what? I always thought we had all the legal means we needed to take care of these situations of a provable case.

Mr. CALLAN. The facts are as was pointed out in the testimony yesterday, it takes 6 to 8 years to get one of these cases to the courts.

Mrs. MAY. We do not know why.

Mr. CALLAN. As was stated yesterday, unless you do something, it will be all over by the time you get the lawsuit finished, and so even though you file suit now, there are a lot of cattle feeders that are going to be out of business by the time you get this thing.

Mr. WITTS. I noticed that testimony. I believe it occurred—there were some cases arising out of the Denver area in which they pointed out the long delay, but, of course, as one witness said also in previous committee hearings, the answer to that probably, Congressman Callan, is not the enactment of new laws. It is the enforcement of existing legislation. It would so appear to me.

Mr. CALLAN. In other words, you are ready to wait 6 or 8 years before we do anything. If we start now it will be 8 years from now before the time we get to the courts. Would you be willing to wait that long?

Mr. WITTS. If I were hurt I would be squealing and hollering from the top of Capitol dome, but once again that does not seem to me to be the focal point at issue. If we have laws on the books to accomplish that, I think there is a breakdown somewhere in the administration or enforcement of those laws if it takes 8 years for the U.S. Government to process a complaint. Boy, if they had one against me, they would have me by telephone before I could get back to Dallas.

Mr. CALLAN. It does not take that long to process the claim but it takes that long to get through the courts no matter what kind of lawsuit you are talking about if you go to the Supreme Court.

Mr. WITTS. I could not agree it takes 6 to 8 years to process a case to the Supreme Court.

Mr. CALLAN. Testimony yesterday by the Department indicated it did. We will have to check that out.

Mr. WITTS. Well, I think the vigor with which any counsel pursues a case has a good deal to do with its ultimate timing. And I do not mean to be snide or smart. I am sorry for the laughter. I did not mean to be——

Mr. CALLAN. I appreciate your testimony. I think you have done a real fine job and pointed out some good points. What we are trying to do is get at this problem and I appreciate your testimony and I think you are one of the good witnesses we have had.

Mr. POAGE. Mr. Redlin?

Mr. REDLIN. Mr. Witts, I do appreciate your testimony. I have been in the livestock business myself.

I wonder, sir, if you would care to answer, in selling your livestock, do you send the bulk of it through the public bid market or do you contract with the packers and buyers—packer-buyers directly in your operation?

Mr. WITTS. I do both. In the West Texas operation which I have, it is very difficult, as Congressman Poage knows, to get somebody to come all the way down into Big Bend country to get a cattle buyer. Many times in those instances I just have to take those cattle to market.

In the commercial operation I have in Nevada, it is easy to get a contract buyer to come.

So the answer to your question is I go both ways.

Mr. REDLIN. May I ask one further question. When you proceed to contract with a buyer, what do you use to base your considerations as to whether you think the offer is a fair one?

Mr. WITTS. Congressman, I just use my mystic Roman crystal ball because I have no way of knowing other than reading the livestock reports and markets, and so forth, what the market is and I do not think any rancher can really know what the market is. I think the market is probably beyond his pale of effectiveness. About all you can do is try and continue to higggle-haggle with the cattle buyer until you think you have got him up to just where he is fixing to put on his hat and head back to town.

Mr. REDLIN. Yes, sir; but the basis on which you draw this consideration you say is that you do study the public market quotations that are given out. Market information that is given out relating to public markets is one of the considerations you use in deciding whether you are getting a fair offer or not.

Mr. WITTS. Absolutely, Congressman. I take the West Texas Livestock Journal, which they call the Wall Street Journal of the cattle industry, and the Texas Department of Agriculture public market reports, U.S. Department of Agriculture published market reports, and listen to the radio, but at best you have just a prayerful guess in the hope that the day your cattle have got to go you can get the top price. But how an independent or individual rancher can, one, determine that top price or two, be sure he is getting it; I do not know, and that is why I am hopeful that the studies of this committee and the continued hearings will continue to assure as free and competitive a market as a rancher can hope to achieve.

Mr. REDLIN. What I want to establish, Mr. Witts, is that the quotation based on public market operations is a very important factor in your deciding on this decision as to whether your offer is fair or not.

Mr. WITTS. Absolutely.

Mr. REDLIN. Thank you.

Mr. POAGE. Are there any further questions of Mr. Witts?

Mr. BANDSTRA. I just would like to make this one comment regarding the length of time consumed in getting enforcement of some of the provisions presently in the law, as you may know, in 1920 the packers entered into a consent decree with the Department of Justice and I have before me here a Senate report, February 17, 1925. This was 5 years later, after the consent decree was entered into, and mind you, this is an agreement in which they agreed to get rid of their stock in stockyard companies, for example.

Here is the Swift group, Swift Co. Their stock in the Sioux City, Iowa, stockyard, for example, total capital stock of \$1,460,000. The total holdings of the Swift Co., in that particular stockyard were shown to be 840,000 shares or 64.4 percent of the total ownership of that stockyard, and by December 19, 1924, they had disposed of none of their stock, which it had agreed to 5 years earlier.

So what the people from the Packers and Stockyards Division of the Department of Agriculture are saying about time in getting these things enforced is not just something they are dreaming up. My understanding was that it was 1930 or later, more than 10 years later, before they even got enforcement of a consent decree, not one that they acquired by litigation but one that was voluntarily entered into.

So I just want to point that out for your own information, that these things are time consuming.

Mr. WITTS. I read that in the hearings. Of course, that was 1920, and how long did it take GM to divest itself of the Du Pont stock or vice versa, after that decree was handed down? I think that was very expeditious. I think the divestiture occurred just within a few months after Du Pont had to divest itself of the General Motors stock which is comparable I think in a divestiture situation and certainly more recent in date than the 1920's.

Mr. BANDSTRA. Well this matter has come up as late as 1960. They were still litigating this 1920 consent decree at that time.

Mr. WITTS. Yes, I read that in the hearings, about every year they come back and say, "wait a minute, fellows, let us talk this thing over," and "this is not really what we meant."

Mr. BANDSTRA. Thank you.

Mr. POAGE. Any further questions of Mr. Witts? I know that we must hasten on and hear these other witnesses, but I hope the committee will indulge me just a moment because I want to know about one or two things.

Where is your ranch in Nevada, Mr. Witts?

Mr. WITTS. Lincoln and White Pine Counties, east-central Nevada, midway between Ely and Pioche.

Mr. POAGE. That is in pretty high country? A little better country than your trans-Pecos country, is it not?

Mr. WITTS. Yes, it is, although strangely enough the drought which followed my ranch's operations moved to Nevada in this year and we had a lot of rain in the Big Bend country.

Mr. POAGE. Do you own that?

Mr. WITTS. It is a combination fee ownership and Taylor grazing land.

Mr. POAGE. Will you tell us about what investment you have? I do not want to be in the business of asking—having you tell us your own operation, but could you tell us generally in the Big Bend about the value of the land there and about the carrying capacity, just generally? I am not meaning your ranch in particular.

Mr. WITTS. Congressman, the value of the land in the Big Bend depends largely on the amount of improvement which you have placed on it as you know. If it is raw, unimproved land it is low-cost land. If you have been able to fence it, water it, sow it with Johnson grass, which as you know is excellent cattle feed in that country, the soil is so rich and the growing season is so long that it is highly fertile and productive cattle country.

I do not know that I answered your question.

Mr. POAGE. Let me put it this way just to hurry this thing up. I can remember, and I am sure you can, when practically everything west of Pecos River sold for a dollar an acre.

Mr. WITTS. Yes, sir.

Mr. POAGE. That same kind of land, without any improvement today, is worth between \$15 and \$20, is it not?

Mr. WITTS. I would agree exactly.

Mr. POAGE. How many acres—I am not talking about your improved land but how many acres of that unimproved land will it take to run an animal unit?

Mr. WITTS. In the bad country it would take 40 to 80, because you do not have water. Where we have the side oats grama and blue stem and black grama, and we have waterings, the strength of that grass, as you know, is so great that you can run a cow, an animal unit, to 5 to 10 acres.

Mr. POAGE. But you do not buy any of that for \$20 an acre?

Mr. WITTS. No, sir; you do not.

Mr. POAGE. I am talking about that unimproved—

Mr. WITTS. The upland country, of course, is far better country and—

Mr. POAGE. After you get up behind it.

Mr. WITTS. Yes, sir.

Mr. POAGE. Well, I think that is what I wanted to get in the record. I am very much obliged, and with the indulgence of the committee, if there are no further questions, we are much obliged to you, Mr. Wits. We appreciate your appearance.

Mr. WITTS. I want to thank you very much, because I know you ladies and gentlemen have a lot more to do than listen to a bunch of cowboys, but believe me, it means a great deal to us to have the Congress looking out after our problems. Thank you.

(Mr. Witts' statement follows:)

STATEMENT OF DAVID A. WITTS, DALLAS, TEX.

My name is David A. Witts. I am an independent cattle ranches operating ranches in Texas and Nevada. I am a breeder of both registered and commercial cattle.

My appearance here represents no association, committee or group, and I speak strictly for myself, an independent producer of beef cattle for the American market.

I appreciate very much the opportunity you have given me to state my thoughts to the Congress of the United States. My statement will be brief and, I hope, to the point.

There is something basically and inherently wrong with the present system of cattle marketing when the price the cattle producer receives is 10% *less* than he received 15 to 20 years ago, while at the same time the price the consumer pays has *increased* more than one-third during the same period.

To further illustrate, consider that the net income of farmers and ranchers has *declined* 18% in the last 20 years, even though the volume of farm products sold to consumers has *increased* 44% during that period of time.

While the farmers and ranchers were receiving approximately 20% *less* for their products, wages to employees in manufacturing businesses have increased almost 120% in the last 20 years.

Other figures prepared by the Economic Research Service of the Department of Agriculture likewise demonstrate this point.

1. The current price paid to the rancher for his cattle is less than it was 15 years ago.

2. In 1945 the American consumer spent 26% of his take-home pay for food. In 1965, 20 years later this percentage dropped to only 19% for food.

3. Stated another way, the average household paid 17% *more* and farmers and ranchers received 7% *less* in 1965 for the same kind and quantities of food purchased in 1947.

4. Americans spend less of their take-home pay for food than any other people.

5. An hours pay today buys twice the amount of food it did 30 years ago.

6. While the general economy of the country has been prospering, if not booming, the cattle industry suffered a serious price depression during the five years from 1952 to 1957 and again in 1963, 1964 and 1965. Yet this occurred during a period when the per capita consumption of beef has constantly increased—in fact it has just about doubled.

Now during this last 20 years, the rancher has not fundamentally changed his way of doing business. In fact he still raises and sells his cattle much the same as he has done since Biblical times, except for the fact that he now is concerned with conserving his soil, replenishing his water, fertilizing his fields, inoculating his herds, improving his breeds, increasing his marketable cuts of beef—all to the advantage of the consumer, but at the cost of the rancher.

What has changed is the processing of cattle from the time it leaves the ranch until it lands in the consumers market basket. The greatest change of course has been the advent of the super market—both chain stores and independent grocers who associate themselves together to get the most leverage out of their purchasing power. I do not say that the change in method of packaging and selling is bad. I am glad that the consumer doesn't have to stand in line waiting for a butcher to make a cut of beef, or to brush the flies off the meat as it hangs, as is done in most of the rest of the world. But the fact remains that most retail marketing of beef is not done by retail stores as such—it is done by vertically integrated corporations that control the product all the way from the soil to the supper table. Their size is so vast and their control of the market place is so complete that they do actually dominate the market.

The laws of Texas actually prohibit corporations from raising cattle and owning land therefor, and operating stockyards and of slaughtering refrigerating, canning, curing or packing meat, just as they prohibit oil companies which produce the oil from the ground from engaging directly in the pipe line business.

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I do not know the Legislative reasoning for these laws, but I suspect it was to prevent the producer from controlling these two products from their creation all the way through processing, refining, transportation and marketing to the consumer.

The fact of the matter simply is that the farm to retail price spread for beef can occur in three areas: farmers to wholesaler, wholesaler to retailer, or retailer to consumer.

It actually occurs in only 2 areas: wholesaler to retailer and retailer to consumer. And in these two spreads, wholesaler to retailer accounted for 3% of the price increase and retailer to consumer accounted for the other 97% of the price increase. So where does this leave the rancher—the independent producer? Out in the cold where he is getting 10% less for his product than he did 20 years ago—despite the fact that every cost of his doing business has continued to increase, and dramatically so during this same time.

That gives you an idea why the cattlemen is so incensed when he reads about his guilt or responsibility in the rising cost of living—it just isn't so!

I realize that the purpose and function of a legislative committee is to learn the facts so that they can recommend legislation. Accordingly, I have simply stated the facts as they are and as they affect me.

I don't consider myself qualified to make any specific legislative recommendations. I do know that the cattlemen has fought government controls, has resisted price supports and refused subsidies. Maybe that's why we are in the soup today. I don't know. But I do not believe that the answers lie in those areas. We have only to look at Argentina, which was once a beef surplus-nation before the days of government control of her cattle industry and Argentina is now a beef-short country.

It is possible, and I think very likely, that much of the problem of the cattlemen arises from the tremendous quantity of imports. Imported beef is substantially free from controls over sanitation and quality that are imposed upon the American producer. Yet we are now importing almost 100,000,000 pounds of meat each month, two-thirds of which is beef. We are today importing beef at the levels of 1963 when the Meat Import Control Bill was enacted.

Congress, the Justice Department and the Federal Courts have all taken a stand when any one business or industry becomes too highly concentrated, or when such concentration tends to lessen competition or has adverse competitive effects.

The independent cattle producer has practically no control over his marketing conditions. When his cattle are ready or his range is short, he has to go to market. He has very little staying power and very little say-so about prices. But in a competitive or free enterprise economy neither the rancher, the feeder, or the packer should be allowed or should be able to dictate the price he pays or the price he receives.

It is my hope that you find a way to preserve that basic American tradition of free and competitive enterprise wherein independent ranchers like myself can continue to do business limited only by our own initiative, energy and thrift and not be destroyed by some foreign or outside influence or combination over which we have no control and against which we cannot survive.

Some Facts About **INFLATION**

Speech Delivered by

JOHN C. WHITE

Texas Agriculture Commissioner

at the 23rd Annual Meeting

Producers Cooperative Association

Texas A & M University

May 19, 1966

SOME FACTS ABOUT INFLATION

by

John C. White

Texas Commissioner of Agriculture

As recently as two years ago, it was common practice in some economic circles to condemn the American farmer as a 'creator of surpluses'. During 1966, many of these economic experts and agricultural press writers awoke to find that the 'surpluses of yesterday' were nearly gone. The farmer was achieving a kind of balance in production and efficient marketing was reducing our stored foods to manageable levels. As a result, the farmer's income in the past year has taken a slight rise.

And what has happened?

Now the farmer learns that after licking the surplus problem and gaining slightly better prices---with a little promise of a boost in income---he is now being accused of CAUSING INFLATION!

What is the truth in these charges? Are food prices causing inflation? Is the farmer the prime cause of price increases? Lets look at a few facts!

First, let's consider FARM PRICES. Prices paid to the farmer for his commodities were 14 percent lower in 1965 than their level in 1952. This is true even with the slight improvement in farm prices in recent months. So it would seem to be significant that with these lower prices paid to farmers, the farmer has actually helped *hold down the cost of living*. Farm prices, then, are not inflationary.

THE REAL COST OF FOOD

How about the cost of food? In terms of the average family income, food is lower today than ever before. We Americans work less hours to earn money for more food than any nation in the world---or in history.

As a nation of consumers we spend only a little more than 18 percent of our take-home pay for food. One hour's pay today still buys more beef-steak at current prices than it did in 1960--and more than double what it brought 30 years ago.

Even though *consumer* food prices are 15 percent higher than ten years ago, the price paid for that food to the farmer is 14 percent below the 1953 figure. Farm prices that lag so far behind other prices in our economy can hardly be called inflationary.

'Well,' you say, 'my grocery bill seems higher now than ten years ago.' Let's take a look as to *WHY* that may be true.

In the first place, you buy more things at the supermarket these days that are non-food items than ever before. The supermarket is a modern-day counterpart to the old country store, except we are prone to lump all our expenses there as 'food'. This is not so.

I believe a survey was made recently which proved that more than 30% of the items going out of the store in shopping baskets were actually non-food items. Yet, we regarded them as a part of our 'grocery bill.'

A second reason is that housewives are demanding a great deal of services 'build in' to her food items. These built-in 'maid services' are expensive and increase the cost of food on the grocery shelf. But these increased costs are *NOT PASSED DOWN TO THE FARMER*.

He got the same price--maybe less--for that potato. The housewife paid somebody else to peel it, shred it, flour it, cook it and freeze it so that she only had to thaw it for her family. These services increase our marketing costs of food.

And that brings us to our first chart: *FOOD COSTS vs FARM VALUE* (Illustration A.)

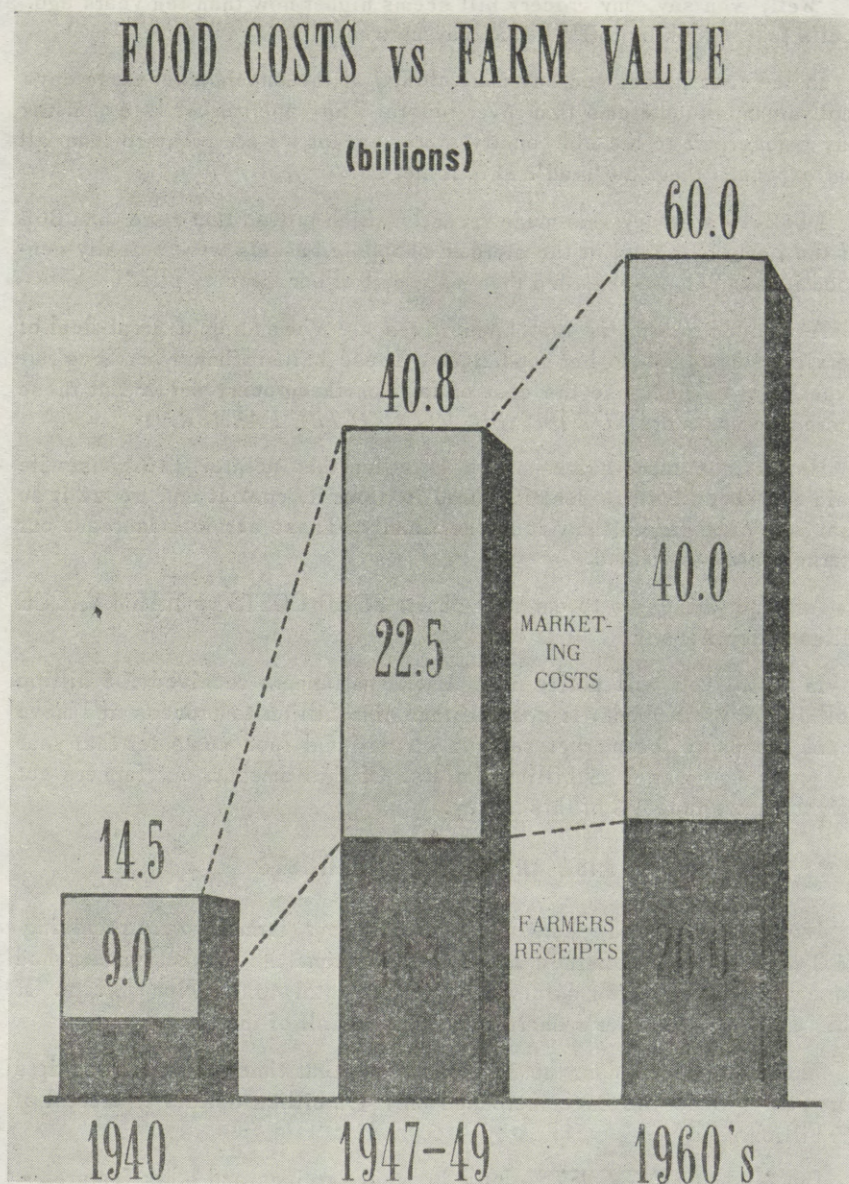
In 1940, you will notice that American farmers received 5.5 billion dollars for their goods. It cost another nine billion to process and move these goods to the market so that our national food costs for that year 26 years ago was 14.5 billion dollars. Of this amount, our farmers got slightly more than 1/3 of this money.

RISE IN MARKETING COSTS

By 1947-49---good years agriculturally--our farmers were receiving 18.3 billion dollars for their goods. By this time the 'marketing bill' had gone up to 22.5 billion dollars, making the total 40.8 billion dollars. Of this amount, the farmer's share was close to half of the total.

What has happened in the 17 years since that time? Farmer's receipts for basic foodstuffs have increased only 1.7 billion dollars to a total of 20 billion.

But *MARKETING COSTS* --built in maid services and other features-- have zoomed to 40 billion dollars per year. This brings our national food bill to 60 billion a year. *AND THE FARMERS' SHARE IS BACK TO THAT ONE-THIRD LEVEL* of 26 years ago. About the same as in 1940.



I don't wish to create the impression that our farm population is poverty-stricken at the expense of other segments of our economy. As a matter of fact, better marketing and increased production is bringing our overall farm income to record levels.

Realized net income of American farm families is expected to exceed \$15 billion in 1966 as compared with \$11.7 billion in 1960, a gain of nearly 30 percent.

Yet, here is a sobering thought. Even with the steady improvement in farm income in recent years, the average income of farm people is still less than *two-thirds* the per capita income of our non-farm population.

Although the income gap between farm and non farm people is narrowing, the farmer still has a long way to go before his labor nets him the same comforts and conveniences as his city cousin. He still has not attained the **PARITY OF INCOME**, that full, fair share of our national prosperity which is rightfully his---and which he has helped create for all other segments of our population.

But, unfortunately, as soon as our farmers start making a little headway, somebody starts crying 'foul' and makes him the scapegoat for any of our national economic ills. Even today, certain of the overzealous are making the American farmer the whipping boy in the struggle against inflation.

FARMER SUBSIDIZES OUR ECONOMY

This is not only unjust --- it is **ABSOLUTELY WRONG**. The record shows that the American farmer actually subsidizes our cost of living---rather than inflates it.

If farm prices of food products has increased since 1952 to the same extent as all other products, the housewives of America today would have spent over \$7 *billion* more for food than they actually did in the past year.

This means that American families had \$7 billion dollars more to spend in 1965 on other items such as recreation, boats, cars, trips abroad - just because they didn't have to suffer inflationary costs from the farm level.

Therefore, the farmer subsidized us some seven billion dollars last year so we could enjoy more luxuries. That seven billion dollars is money he **DID NOT GET FOR HIS PRODUCTS** just because they **DID NOT GO UP IN PRICE** at the same ratio as most other commodities since 1953.

That is why I say the farmer has held our cost of living *down*, rather than caused it to *increase*.

Yet, we can still maintain that food costs --- even with all the EXTRAS built in---are our greatest bargain today. It has been less subject to inflation than any other segment of our economy.

LET'S TAKE A HARD LOOK AT THIS INFLATION (Illustration B) This chart shows some of the general cost increases in the past 10 to 13 years. Assuming 1953 as a base, here's how our expenses have gone up: 1. Transportation and general services costs us 40 percent more than 13 years ago. 2. Medical and other professional services are up a whooping 54 percent. 3. Recreation costs us 22 percent more. 4. Housing is up 36 percent. 5. But our FOOD COSTS---special services and all---is up only 15 percent. And I want to point out again that the farmer's share of this increase is a MINUS 14%---remember? We couldn't even chart it!

CONSUMERS GAIN - FARMERS LOSE

Let me go back now to something I said in the beginning. I want to show you some evidence that we as consumers have *GAINED WHILE FARMERS HAVE LOST*. (Illustration C)

Notice on this first graph that in the 1940's, we as consumers spent some 26 percent of our income for food. Ten years later, in the 1950's, we were down to 23 percent of our income on food costs. And today, we have to pay out only 18.3 percent of our take-home money to feed our families.

Now let's consider how much of your take-home pay *ACTUALLY REACHES THE FARMER*. How much of your pay that you put into circulation percolates down to the farm level?

Well, in 1940, 14% of our take-home pay reached the farm level. By 1950, this figure had dropped to 11%. And today, only 7% of our earnings reach the farmer although we are buying more food, more clothing and more agricultural abundance than ever before.

We as consumers are paying less for more---and there is no doubt about it. The farmer, on the other hand, is getting a steadily declining share of the money we spend for food and clothing.

Is the farmer responsible for inflation then? I don't see how we can ever make such a wild claim? Instead, our farmers have subsidized our present abundance to a degree unknown at any other period in history.

A HARD LOOK AT INFLATION

RISE IN PRICES FROM EARLY 1950'S BASE TO 1966 LEVELS

MEDICAL &
PROFESSIONAL SERVICES

TRANSPORTATION &
GENERAL SERVICES

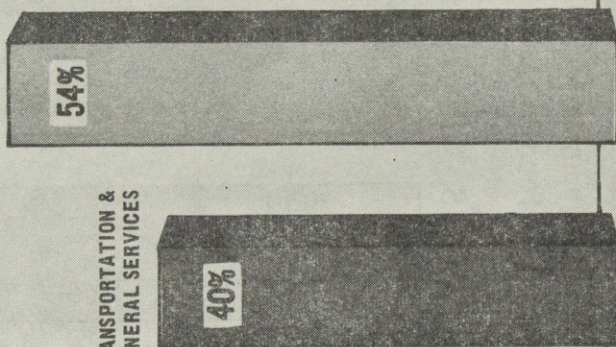
HOUSING

RECREATION

FOOD COSTS

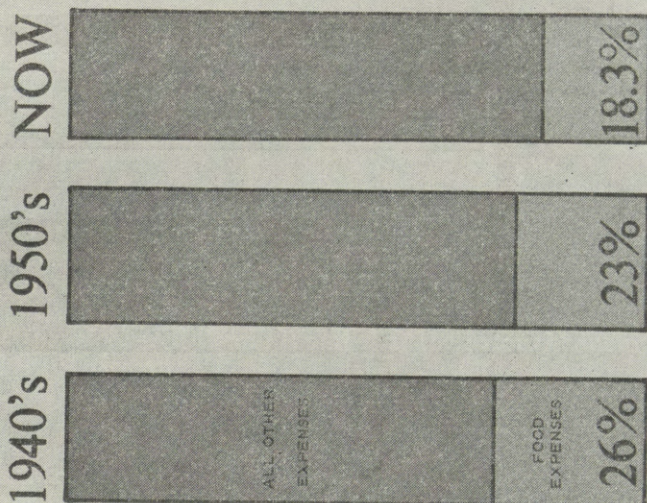
EARLY 1950's PRICE LEVELS

THE FARMER'S SHARE OF THE
15% INCREASE IN FOOD COSTS
IS TOO SMALL TO CHART

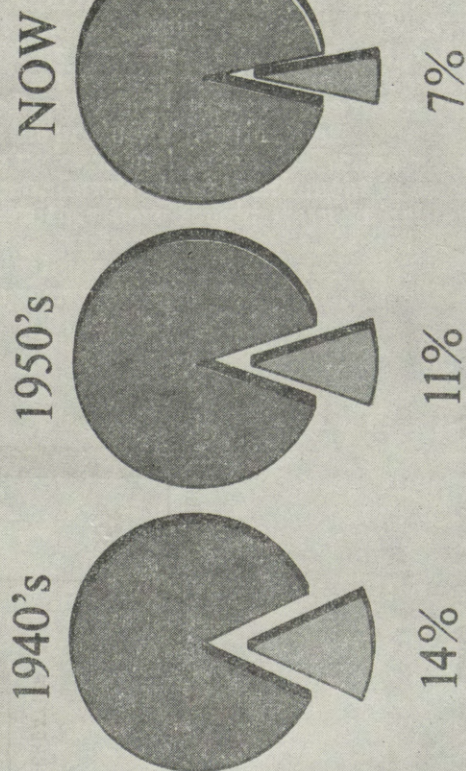


CONSUMERS GAIN = FARMERS LOSE

Percent of the Consumer's Income Spent For Food



Green Shows the Farmer's Share of Income Spent For Food



I firmly maintain that basic prices paid to the farmer can still *RISE SUBSTANTIALLY* and not contribute to inflation. The farmer is entitled to share in the wealth and high standards of living which he has helped create.

Our food costs have increased less than most of any other item in our economy. There is room for fair monetary rewards to the farmer without materially increasing these costs further.

After all, figures prove that the farmer---with an income level of only 2/3 rds that of the national average is justified in obtaining his rightful share. HE IS NOT EVEN GETTING PARITY RIGHT NOW. WHY SHOULD WE EXPECT HIM TO TAKE LESS?

Yet some economists are blaming him for INFLATION!

I don't think the charge can stick. But it can do him harm in the public eye unless we clear the farmer of this unjust accusation.

Mr. POAGE. In an effort to try to hear those who have come a long way and who will not have otherwise the opportunity, I think we will now call the Western States Meat Packers Association, I understand they are represented by two witnesses who—I do not know whether they will appear today together, Mr. Monfort and Mr. Guss. If you can appear together, it will expedite the proceedings.

STATEMENT OF KENNETH MONFORT ON BEHALF OF WESTERN STATES MEAT PACKERS ASSOCIATION

Mr. MONFORT. Mr. Chairman, I am Kenneth Monfort. I have a written statement.

Mr. POAGE. Let me ask you, is Mr. Guss here? Does Mr. Guss want to appear with you or does he appear separately? I thought you represented the same clients and had hoped you might appear together. The point is if you will appear together we cut the questions just half in two.

Mr. MONFORT. I think we can give our testimony one right after the other and then you can combine the questions.

Mr. POAGE. All right.

Mr. MONFORT. I will try and summarize my statement, try and speed the thing along.

First of all, I should tell the committee who I am. I am Kenneth Monfort. I am vice president of the Monfort Feed Lots and president of Monfort Packing Co. I am a Democratic State representative in the Colorado Legislature, director of the Cattle Feeders Association for numerous years, and served for 1 year on the Secretary of Agriculture's Beef Advisory Council.

We started out in the feeding business and got into the packing business more or less by accident, you might say, and the reason we got into the packing business was because we did not believe that our markets were good enough in our area in northern Colorado and therefore we did get into the packing business. This is happening throughout the State of Colorado.

We have two brand new packing plants, both of them feeder owned and feeder run.

Now, to me the problem involved in H.R. 12115 is that you might say it is a two-edged sword. True, it would keep packers from getting into the feeding business. The thing that bothers me mostly is that it would keep the feeders from getting into the packing business. It would force us to, I suppose, get rid of our packing plant. It would force us into going back into more or less the same situation that existed prior to 1960 when we did get into this business. We employ some 450 people in our packing plant. This is, of course, a very important economic thing in a city the size of Greeley, Colo.

With that briefly I would then like to mention some of the testimony given by the USDA yesterday and some of my feeling on it. First of all, the comparison of the beef industry and the chicken industry, I will let you read that in my written report. However, I would like to read to you what I have on item two which was Mr. Leonard's mention of the study of the effects of packer owned cattle on the price structure of some market. To quote him, he said:

A hundred head of feed cattle slaughtered per week lowered prices 10 times as much as a comparable or equivalent 100-head increase in salable receipts at the market.

Now, at Monfort Packing Co., where we process, about 65 percent of our cattle come directly from our feedlot. This is an average of around 3,400 head per week. Using this 10-times relationship, this would be the same as putting 34,000 extra cattle on the Denver market and this is considerably more than they handle in a week's time, so I think they would have to admit that basically this cannot be an exact relationship.

I think also it would be admitted by the USDA that probably in Colorado, as large a percentage of the cattle that are slaughtered or packer owned, would be considered packer owned under Congressman Bandstra's bill, as any significant producing State in the country. And I think they could verify their findings by comparing the livestock market in Colorado with the livestock market in, for instance, Iowa, where there is a very small percentage of packer owned.

Our market is normally, healthy, normally a better market for the producer, than this in Iowa, and yet our packer-owned cattle are a larger percent.

The other item that I would like to very briefly get into was through Mr. Leonard's testimony. I think he implied that packers were interested in low prices.

Now, I would submit to the committee that basically the only packer that can be interested in low prices or in lower prices than are currently existing is the one that does not own cattle. The one that owns cattle in his own feedlot such as we do is interested in a strong healthy market. Therefore, we go to great extent, great pains, to try and maintain a good market, not a low market.

We market our cattle on a definite set schedule. We do not care about market fluctuations. We care but we do not try and work on this, for three reasons.

First of all, it takes so long to produce the kind of quality of beef that we need for our customers.

Secondly, we have to market our cattle when they are ready so we can have the cash load to buy feeder cattle and keep the operation going. And thirdly, and I hate to admit this, but we just flat are not smart enough to outguess the market and to play these, you might say, sinister games that the Department always thinks we are playing and I think that is in essence what I want to say and I will turn it over to Mr. Guss and let him make his statement and then if you have questions we will be glad to answer them.

Mr. POAGE. Thank you very much, Mr. Monfort. You made a good statement. We appreciate it.

(Mr. Monfort's statement follows:)

STATEMENT OF KENNETH MONFORT, PRESIDENT, MONFORT PACKING CO.

My name is Kenneth Monfort. I am President of Monfort Packing Co. and Vice President of Monfort Feed Lots. I am also a Democratic State Representative in the Colorado Legislature. I am at present and have been for 12 years a Director of the Colorado Cattle Feeders Association. In 1964, I served on Secretary of Agriculture Orville Freeman's Beef Advisory Committee.

Monfort Feed Lots Inc. is a family owned Corporation in the business of feeding cattle. My father started feeding cattle in 1930. He and my mother incorporated the business in 1946. In 1960, we started what at that time was Greeley Capitol Packing Co. It was a joint venture with a meat packer in Denver. It was the result of numerous years of work, by myself and my father, to get a packing plant in Greeley. The only way this could be done at the time was to become financially involved in such a plant. The packing plant venture was something less than a howling success to start with, and we were forced within six months to buy our partners out. This then was our entry into the packing business. The Packing Company is also a family Corporation and is run completely separate from the Feed Lots. Stock ownership is vested in the same people as the Feed Lots but in a different percentage. The Feed Lots owns the Packing Plant building and all of the stationary equipment in it. Hence, Monfort Packing Co. rents the building from the Feed Lots and is basically an operating Company. The Packing Co. will process about 240,000 cattle and 500,000 lambs annually. About 65% of the cattle will come from the Monfort Feed Lots.

It is rather obvious what H.R. 12115 would do to us. It would force us to either sell our Packing Plant to someone else or to shut the plant down. However, I think it interesting to note what would have been the effect on our industry in our area had H.R. 12115 been law prior to 1960. Our reason for building the Packing Plant is obvious. We were not pleased with our outlets. The Denver area had ten packing plants. Three were owned by National Food chains. Four were the major packers and three were local independents. Of the ten, only one was a consistent buyer of the cattle we could best feed. We and other feeders were at the mercy of these ten packers, all with rather ancient and obsolete plants and most of whom did not desire to slaughter and process steers such as we and many other feeders fed. We tried very hard to interest a packer in the possibilities of building a plant in our area. It proved impossible to get a new concern to come into the area and those already in Denver were very happy with the situation. This then was the reason for our entry into the business.

What has happened since 1960? Since that time, we have seen a rapid expansion of cattle feeding in northern Colorado. I am sure that U.S.D.A. figures will attest to our relatively high fat cattle market considering our freight differentials. We have provided jobs for some 450 residents of our town which has reversed a serious economic downtrend in Greeley. The other packers have been forced to modernize and improve both their facilities and their buying techniques. New packing plants have now opened in Fort Morgan and Sterling—financed and operated by Cattle Feeders. Very simply—the trend in Colorado is not packer feeding but conversely—Feeder packing.

I sincerely believe that any legislation that would interfere with this avenue of marketing by those in Agriculture would be bad legislation. In legislation such as this, I obviously have mixed feelings. From a strictly selfish point of view I, like other feeders, would approve of legislation that would limit my competition. As a packer, I would also like to limit my competition. However, I feel strongly that a feeder or a group of feeders should have freedom to improve

their economic position by further processing of their production. If I believe this, it then follows that I must believe that the packer should have the right to assure himself a supply of livestock of a proper quality by feeding some of them himself if necessary as it is in many areas of our country.

Obviously Congressman Bandstra believes packer feeding is or could be a problem in his district. I am sure this bill was brought about by an announcement by an Iowa packer that it was entering the feeding business on a large scale. I am in complete sympathy with the feeling of the farmer feeder in Iowa. However, I believe that national legislation should fit the nation and not be tailor made for a specific area of the country in response to an announcement by a single packer, particularly when I believe that such a law would tend to perpetuate what could become a monopoly for that very packer by disallowing the entry of feeders into the packing business.

As a supplement to my previous statement and with your permission, I would like to respond briefly to some of the points stated and implied in the testimony by Mr. Leonard of the USDA before this Subcommittee, yesterday.

Item 1.—Comparisons between the Beef industry and the Chicken industry were made by Mr. Leonard. I believe that these comparisons are completely invalid for several reasons. In the first place he was comparing the "old" farm flock chicken industry with our highly efficient cattle-feeding industry. In the second place we are talking about a cattle-feeding industry with money demands of over two billion dollars with a 100 million dollar chicken industry inventory. We are talking about an industry with a two times per year turnover with an industry having a five or six times per year turnover. To me, there is little chance that the same things will happen in beef that happened in poultry. I am not sure that this last statement will make the consumer happy, but it makes we beef producers feel better.

Item 2.—Mr. Leonard mentioned a study of the effects of packer owned cattle on the price structure of some unnamed market. To quote, "* * * 100 head of packer-fed cattle slaughtered per week lowered prices ten times as much as a comparable or equivalent 100 head increase in saleable receipts at the market." To me, this is a thoroughly preposterous statement. As an example, at Monfort Packing Co., we will slaughter an average of some 34,400 head of what the Department would call packer owned cattle. In accord with Mr. Leonard's testimony, this would be equivalent to an *increase* in normal marketings of some 34,000 head of cattle in Northern Colorado. This relates to a total marketing of fat cattle in the area of between 20,000 and 25,000 per week. I further question the findings of the Department when I look at our fat cattle market in Colorado in comparison with the rest of the country. I am sure that a larger percentage of the cattle slaughtered in Colorado are packer owned than in any other large feeding State in the nation. I am even more sure that our live cattle market is higher, considering freight differentials, than any other live cattle market in the country. I would further submit that our market is more responsive to changes in the dressed beef market than any other market within the country. I would like to respectfully suggest that the USDA could conduct a study of fat cattle prices, marketing practices and packers profits in our area with large packer feeding concentration and Iowa with its low concentration. I believe that they would find that Colorado compares very favorably in all respects other than packer earnings.

Item 3.—All through his testimony, Mr. Leonard implied that packers were interested in low prices. I would submit to the Committee, that the only packer that is interested in low or lower prices is in actuality the packer that does *NOT* own any cattle. Can any of you possibly believe that in our operation for instance where we have ten times as much money invested in inventory of cattle in our Feed Lot as we have investment in our packing business, that we are interested in low prices. We are interested in a higher market, a healthy market. We go to great pains to market our own cattle in a way to strengthen, not weaken the market. We program the marketing of our cattle months ahead of time. I will be more than glad to show your Committee or the staff such a program. We find this necessary for several reasons. First of all, it is the only way we can produce the consistent quality of beef that the consumer demands. Secondly, it is the only way we can maintain our cash flow that is necessary to repurchase feeder cattle for our lots. And thirdly, I hate to admit it, but we just are not smart enough to outguess a market and play these sinister games that the Department loves to accuse us of playing.

Mr. POAGE. We will be glad to hear from Mr. Guss.

STATEMENT OF ABE GUSS, CHAIRMAN OF THE BOARD, GRANITE MEAT PACKING CO., ON BEHALF OF THE WESTERN STATES MEAT PACKERS ASSOCIATION

Mr. GUSS. Mr. Chairman, members of the committee, my name is Abe Guss. I am chairman of the board of directors of the Western States Meat Packers Association and the owner of Granite Meat & Livestock Co., in Murray, Utah.

I thank you for the opportunity you have given me to express my views and the views of the members of the Western States Meat Packers Association in opposition to Congressman Bandstra's bill, H.R. 12115, which calls for unwarranted interfering with the American economic system based on free choice. Mr. Brandstra has proposed that meatpackers be barred from feeding livestock. His suggestion, we believe, is unsound, unreasonable, and against the public interest.

The Western States Meat Packers Association has 632 member firms located chiefly in the Rocky Mountain and Pacific Coast States, Alaska, Hawaii, and Texas.

We are independent meatpackers as distinguished from large national firms that engage in nationwide operations. Independent packers because of their large number and their location in all parts of the country, provide added competition for cattle, calves, sheep, and hogs which is so vitally important to producers and feeders of livestock.

Independent packers have been responsible for much of the progress in the meat industry, resulting in greater efficiency in packing and processing plants for the benefit of producers and consumers.

This modern efficiency has enabled the livestock industry and the packers, together with others in the food business, to give American consumers the highest quality food in the world at the smallest cost in relation to income. All food in the United States will be purchased this year at an average cost of 18 cents out of each dollar of income after taxes. Just 15 years ago Americans were spending 26 cents of their income for food. American know-how plus freedom of choice has made this remarkable achievement possible. By comparison, European countries pay 30 to 50 cents of their income after taxes for food, and Russians pay 56 cents.

I am the owner-operator of a meatpacking plant near Salt Lake City, Utah. I have been associated with this company for 21 years and have been feeding cattle and sheep for 15 years. I will have to continue feeding livestock for a portion of my supply in the future. Only in this way can I fulfill my responsibility to my customers for a consistently uniform production of quality products meeting the specifications of the chainstores and other buyers.

The Bandstra bill, in its present form, would make it illegal for me to feed livestock. This, in turn, would adversely affect my ability to sell quality meat on a continuous basis. A similar situation would exist in all other sections of the country with the possible exception of the Corn Belt, where farmer feeding is prevalent.

Packer feeding in the Western States became important about 30 years ago and has been an integral part of the livestock and meat industry since that time.

Some feeding of livestock by packers will be needed for many years to come, particularly in the West, to help supply a steady flow of high-

quality meat and meat products to satisfy the demands of our customers.

WHY PACKERS FEED

In feedlots having 1,000-head capacity or larger, a survey by the National Commission on Food Marketing showed that packers owned 1.7 percent of the feedlot capacity in Iowa and Nebraska, 26 percent in Montana, Utah, Idaho, and Nevada, and 15 percent in California.

The survey pointed out that feedlot ownership by retailers is relatively small, and is concentrated primarily in Colorado.

Custom feeding in commercial feedlots according to the NCFM report is popular. Of the total number of cattle marketed by large commercial feedlots, 38 percent were custom fed. Packers and packer buyers owned about 18 percent of the custom-fed cattle marketed from feedlots with 1,000-head-or-more capacity in a 15-State area in 1964.

In 1964, 178 meatpackers—out of 3,200 firms, and 3 retailer food chains—fed 1,052,000 cattle, or 3.4 percent of the total U.S. commercial slaughter.

Now, why do packers and retailers feed 3.4 percent of the total commercial slaughter?

First of all, farm feeders normally feed livestock only during seasonal periods when they are not producing crops. Therefore, farmers historically have fed cattle and sheep during the winter months. Packers have increased their feeding in the spring, summer, and fall to take up the slack and even out the supply of finished livestock.

Years ago, when the packing industry was concentrated near railroad terminals such as Chicago, there was not much feeding of cattle outside the Corn Belt and most areas of the country had only lean, grass-fed beef. Then came good roads and trucks and decentralization of the meat industry.

The growing affluence of the buying public and the increased demand for Choice grade beef brought about the development of the livestock-feeding industry. But outside the Corn Belt there was little feeding by the farmers, and packers were forced by economic circumstances to take the lead in feeding cattle and sheep. In recent years the development of commercial feedlots has lessened the necessity for packers to feed themselves, and we can expect a gradual reduction in packer feeding. Many packers who were feeding in earlier years have quit feeding livestock—due chiefly to the added supply of finished livestock from other sources and also due to the high risks associated with the feeding industry.

TECHNOLOGICAL PROGRESS

Farm feeders as a rule have fed cattle and sheep only as a means of marketing their production of corn, grain sorghum, or other feed grains. Their feeding operations have been wasteful and nonscientific.

When the meatpackers entered the feeding industry, on the other hand, they were concerned only with one aim and that was to produce an animal of desired quality as quickly and as economically as possible. Through constant research, study, and trial, better methods were developed and better nutritional practices were initiated that have revolutionized the feeding industry. Thus the meatpacking industry has contributed greatly to the progress that has been made. This

progress, of course, has benefited both the producer of livestock and the consumers of meat. If Mr. Bandstra's bill had been enacted into law years ago much of this progress would not have occurred.

DOES PACKER FEEDING AFFECT PRICES?

Yes, packer feeding affects prices, but not adversely.

When packers buy feeder livestock for their feedlots they furnish increased demand or competition for the available supply. This, of course, strengthens the market for the benefit of the producers.

When packers draw cattle or sheep from their own feedlots it usually has a stabilizing influence on the market. This is because packer feeders normally feed only enough livestock to help assure a steady supply of finished animals for slaughter. When fat livestock are not available from other sources, the packer draws animals from his own feedlot to make up the volume he needs at his slaughtering plant. If he did have any finished cattle or sheep of his own on hand, and there was a shortage from other sources, the price would fluctuate wildly.

Thus, packer feeding has a leveling or stabilizing effect on prices, which, of course, is beneficial to all segments of the industry and to the public.

In conclusion I want to impress upon this committee that packers feed some livestock because—

1. They have to assume this role when farmers and their bankers are unwilling to take on this responsibility;
2. If packers in some areas do not feed some livestock themselves it is impossible to obtain year-round supplies of finished animals in sufficient volume to meet consumer demand for quality meat and meat products.

With truck and rail transportation available as it is today throughout the United States, the 3.4 percent of cattle fed by packers and retailers of the total commercial slaughter has no possible threat of price control or monopoly and every seller of livestock is assured of selling his animals at a fair price established by the factors of supply and demand.

If a local packer-feeder cannot buy a seller's livestock there are usually dozens of other nearby packers who are within ready reach by trucks or rail who will be bidding vigorously for the total supply.

Attached to my statement are a number of letters which I have received from various segments of the livestock and meat industry, all opposing the Bandastra bill. We sincerely urge this subcommittee to turn it down.

Thank you.

Mr. POAGE. Thank you very much, Mr. Guss. The letters will be filed for the record.

(The letters referred to follow:)

OGDEN AREA BEEF FEEDERS ASSOCIATION,
October 1, 1966.

Mr. ABE GUSS,
Chairman of the Board,
Western States Meat Packers Association.

DEAR MR. GUSS: The Ogden Area Beef Feeders Association, comprised of members from Weber, Davis & Box Elder Counties, the Major cattle feeding counties

in the state of Utah, wish to go on record opposing the Bandstra Bill #H.R. 12115 which attempts to prohibit packer feeding of cattle.

We feel that such a law would greatly jeopardize the rights of our industry to honestly engage in the work it is qualified to do.

We feel that this law would also cause unnecessary interference in our economic system.

We therefore ask you to protest the Bandstra bill on our behalf before the appropriate committee & members of congress.

Yours truly,

BOYD PARKE, *President.*

ASHBY'S INC.,

Delta, Utah, September 29, 1966.

Mr. ABE GUSS,
*Granite Meat Co.,
Murray, Utah.*

DEAR MR. GUSS: We are writing in reference to the BANSTRA Bill which is before Congress and which will prohibit the packers from being in the feed-lot business or having cattle in commercial feed-lots.

We are opposed to this law because we feel that the government is too involved in the field of Agriculture. The trend should be away from undue intervention in this area. As you are well aware, this interventoin will result in more unneeded bureaus, officials and higher taxes.

At present we feed about 5,000 cattle per year in our feed-lot.

We feel that the packers could not control the market because the industry is so big. No one packing interest could accumulate enough livestock so that the net result would be their control of the market prices.

Very truly yours,

CARL S. ASHBY.

Mr. POAGE. Are there any questions of either Mr. GUSS or Mr. Monfort?

Mr. BURTON. Mr. Chairman, in the interests of time, I have a statement prepared and I want to hear from these people who have come a long way to talk to us, and I would like to ask unanimous consent that this be inserted in the record as though read in full, and, Mr. Chairman, if you will allow me to make 1 minute's worth of comment—

Mr. POAGE. Yes. Without objection it will be inserted.

(The statement referred to follows:)

STATEMENT OF HON. LAURENCE J. BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

I am opposed to the proposal of Mr. Bandstra to make the feeding of livestock by meat packers illegal. The livestock and packing organizations in my state of Utah are also opposed.

Packer feeding of cattle in 1964, the last year for which figures are available amounted to 3.4% of the total commercial slaughter of all cattle in the United States, according to the study by the National Commission of Food Marketing. Packer feeding is particularly important in California, Texas and Colorado where farmers do not customarily engage in feeding cattle, and commercial feeders or packer feeders have been doing the job. Packer feeding is important in other Rocky Mountain and Pacific Coast states for the same reason. In these areas many packers would be unable to supply retailers, restaurants, hotels and state and federal institutions with high quality meat throughout the year unless they themselves were feeding part of their livestock supply.

I have never heard any livestock organization in the West say they thought packer feeding was detrimental to farmers or commercial feeders of livestock. Under free enterprise, which I believe in, farmers and business men can best serve the public interest by being free to invest their capital and their talents where they feel they can make the greatest economic contribution.

Therefore, I am opposed to another government restriction which would eliminate freedom of action in the livestock and meat industry.

I would like to read from a letter which I received on this subject from Sherman D. Harmer, executive secretary of the Utah Cattlemen's Association. The letter is as follows:

"It has come to our attention that Representative Bandstra has resurrected his bill banning packers from doing any cattle feeding. It is our understanding a hearing will be held by the Livestock and Feed Grains Subcommittee of the House Agriculture Committee on October 5 and 6 in Washington, D.C. We definitely feel Federal Government has done enough controlling in agriculture to the point that we have a mightily ill industry, and that additional control in this field will do more harm than good. If such a control can be placed on our industry it would be but a short while until the government split all types of industry and make specialists out of everyone.

"Many packing plants could not operate and furnish the quality of meat demanded by their customers if they depended 100 per cent on feed lots to furnish this.

"To our knowledge, no feeding operation by a packer is used for any other purpose than to 'fill in' when the available supply does not meet the standards demanded by retailers.

"We sincerely hope we have your support in defeating the proposed bill."

Gentlemen, I wish to go on record in opposition to this bill.

Mr. BURTON. I would like to comment to my fellow Utahan, Mr. Guss, on an excellent statement. I think he has succinctly stated the position that those of us in the 11 Western States, in addition to your State, Mr. Chairman, and Alaska and Hawaii, find ourselves in. It is not that we find ourselves at cross purposes with the gentleman from Iowa, and what he is trying to do because I do know something of the problems you have. But I think this is a shotgun approach to the bill instead of what perhaps should have been a rifle approach. I would like to help you in the problem you have in the Midwest but in our particular area, with 600 independent meatpackers, in my hometown we have 4 or 5 who exist side by side with the big Swift packing plant. In Mr. Guss hometown, Salt Lake City, they have even more independents existing side by side with the Cudahy plant and we would hesitate, as a matter of fact, we oppose and have great reluctance to see this bill enacted. It would greatly affect and adversely affect the quality of meat that our people in this area can get. If there is some other way that we can modify this so that it would apply to the certain geographic region that does have a problem, we would support it. Otherwise we oppose it.

Thank you.

Mr. POAGE. Thank you, Mr. Burton.

I understand the River Markets Group represented by Mr. Robert E. Cunningham, has a statement which they would like to insert in the record. Without objection, it will be included in the record.

(The statement referred to follows:)

STATEMENT OF RIVER MARKETS GROUP BY ROBERT E. CUNNINGHAM, EXECUTIVE SECRETARY, OMAHA LIVE STOCK EXCHANGE

The River Markets Group comprises in membership approximately 1100 members of the Livestock Exchanges at seven of the largest terminal markets in the United States, namely, St. Louis National Stock Yards, Illinois; Chicago, Illinois; Kansas City, Missouri; St. Joseph, Missouri; Omaha, Nebraska; Sioux City, Iowa and Sioux Falls, South Dakota. During 1965 these markets handled livestock receipts amounting to 8,706,971 cattle and calves, 11,206,555 hogs and 2,004,590 sheep for a grand total of 21,918,116 head of all species received and sold.

Members of the River Markets Group serve Midwestern feeders and growers in the purchase and sale of livestock at these terminal markets. They act on an agency basis under Exchange rules and regulations designed for the protection

and batterment of shippers' interests. They are highly skilled and experienced market agency technicians whose primary responsibility is selling consigned livestock for the highest price obtainable in open, free competitive livestock markets.

The River Markets Group wishes to convey its sincere appreciation to the members of the House Agricultural Subcommittee on Livestock and Feed Grains for this opportunity to present a statement in Executive session.

Our River Market Exchanges were established in the late 1800's for the purpose of inculcating principles of justice and equity in trade; to enforce correct and high moral principles in the transaction of business; to inspire confidence in the methods and integrity of its members; to facilitate the speedy adjustment of business disputes; to expedite and regulate the handling and sale of livestock; to promote uniformity in the customs and usages of members; and generally to secure to its members and patrons the benefit of cooperation in the furtherance of their legitimate pursuits.

Our markets have been operating under the Packers and Stockyards Act since its inception in 1921, a period of 45 years. We feel the Act was an excellent piece of legislation. It was originally patterned after the rules of our Livestock Exchanges, most of which have been in existence for nearly 80 years.

We bring to your Subcommittee today some suggestions based on long years of experience in livestock marketing and more specifically in support of Congressman Bandstra's bill, H.R. 12115 which would prohibit large scale feeding of livestock by meat packing firms and retail chain stores engaged in meat packing operations. We hope you may consider them constructive.

Since 1958 the River Markets Group has repeatedly appeared before Committees of the Congress and expressed concern with government's seeming disregard of packer practices which we felt should come under scrutiny. The first and most important of these is the feeding of cattle by packers and chain stores. Some packers and retailers offer the excuse for their feeding projects that it gives them a more constant supply of cattle that are finished to a proper grade. Far more realistic than this, however, are the results of a survey conducted among Western Meat packers by the publication Western Meat Industry in 1959, in which one of the recurring reasons given by packers for conducting cattle feeding operations was "to limit competition with other packers for fat cattle".

Packer feeding is on the increase. We feel that such expanded feeding activities are a deliberate move to restrict competition, control price and further reduce the bargaining of independent farmer-feeders. Packers can use cattle from their own feedlots to seriously increase downward price pressures. When cattle prices are lower, packers can buy from farmers. When competition starts to push prices upward, the packers can turn to their own feedlots for supplies and stop buying at competitive markets.

In November of 1965 this matter came directly into focus when one of the largest independent beef slaughterers in the country announced a policy of getting into the feeding business on a large scale. Iowa Beef Packers, with plants in Denison and Fort Dodge, Iowa and Dakota City, Nebraska stated that within two years they would be feeding 50,000 to 100,000 cattle in this one feedlot and that development of similar feedlots at other points was in the planning. They stated that, "this is the definite key to the direction in which the company expects to expand and develop its forward planning." They also stated, "such an operation, by providing a steady volume of slaughter cattle, can help to stabilize cattle prices." A frank admission of price control and market manipulation.

Certainly, no one can argue that this packer is located in an area where there is a deficit number of slaughter cattle available. Abundant supplies are available to him on every hand, yet he opens his own feedlots. Since this time, similar announcements have been forthcoming from other packers. Packer feeding activities have accelerated sharply.

Even more serious than this are the activities of several large chain stores who feed their own cattle, operate their own packing houses and then retail the finished product. These vertically integrated enterprises have already exerted tremendous price pressures on independent cattle feeders, and on legitimate meat packers as well. In fact, they have provided considerable impetus for packers themselves to get into the feeding business.

Recently reported facts on packer and chain store feeding of cattle shows the following information: The P & S Division of the USDA reported that in 1964 packers and chain stores fed 1,052,000 head of cattle as compared with 506,400 head in 1956. That looks to us like a mighty sizeable increase—more than twice as many in a short period of eight years. The release goes on to state

that the 1,052,000 cattle fed by the packers and meat chains amounted to 3.4% of total commercial slaughter in 1964.

Some sources seemed to consider this figure innocuous enough and not one that would have any detrimental effect on slaughter cattle prices. In fact, packers have attempted to minimize its importance by stating, over and over, that such a small percentage as 3.4% of total commercial slaughter was insignificant and had little effect on the overall price of fat cattle.

We respectfully call the Committee's attention to another interesting analysis of these same figures. The P & S report further stated that this 1,052,000 head amounted to 6.5% of the total number of *fed cattle* marketed in 1964. This is the important figure, excluding bulls, cows and calves and considering fed cattle only.

In measuring the impact of the feeding of 6.5% of all fed cattle in the United States by packers and chain stores, we state the following facts for the record. Sioux City is recognized as having the third largest terminal market in the United States. In 1964, Sioux City's receipts of fed steers and fed heifers amounted to 897,486 head or only 5.19% of the total fed cattle marketed in that year.

Comparatively speaking, then, the packers and chains fed more cattle in 1964 than the fat cattle marketed in Sioux City during that whole year. Significantly more too—1,052,000 compared to 897,486 head. Surely, no one in the cattle business is so naive as to think that all the fed cattle sold in Sioux City during an entire year had no bearing on the National price of fed cattle for a day, week, month or year.

The River Markets Group feels that packer feeding of livestock has, to date, not been given the attention it deserves. The Department of Agriculture has indicated that they have no power to control or terminate such activities. At least they have made no effort to do so.

Yet, Title II, Section 202(e) of the Packers and Stockyards Act of 1921 clearly states, "It shall be unlawful for any packer to engage in any course of business or do any act for the purpose or with the effect of manipulating or controlling prices in commerce, or of creating a monopoly in the acquisition of, buying, selling, or dealing in any article in commerce, or of restraining commerce."

Our Group wishes to compliment Congressman Bandstra on the introduction of H.R. 12115. We heartily endorse this proposed legislation and urge its favorable consideration by this Subcommittee. Passage of H.R. 12115 will go far in insuring that true and fair market values would prevail as a result of the unrestricted operation of the forces of supply and demand under which the free enterprise system may be preserved for the Nation's livestock feeders and the American family farm.

Mr. POAGE. Is there anyone else who cares to insert a statement in the record? I would invite any of you who are listed to testify, but if you want to save yourselves the necessity of testifying we will be glad to accept your statements and put them in the record.

Mr. DAVIES. Mr. Chairman—

Mr. POAGE. Mr. Davies.

Mr. DAVIES. I am prepared, of course, to testify, but in the matter of time I would like to see to it that the out-of-town people, especially on the opposition side, be heard and I would like to yield my portion of time to Mr. Crofoot, chairman of the American National Cattle-men's Association feeder committee.

Mr. POAGE. I am going to call on Mr. Crofoot. May I suggest that you, Mr. Davies, and others similarly situated, might wait and if we have time, we will be delighted to hear you. If not, you will have the opportunity to insert your statements.

Mr. KILLICK. Mr. Chairman, I am John Killick, of the National Independent Meat Packers Association. We, too, have a statement prepared and in deference to the committee will be perfectly happy to file it if that is your wish. I would not want to enter it, however, without prefacing it with my thanks to Congressman Earle Cabell for his very kind remarks about our policy position and resolution in

opposition to this bill. So we will be at your disposal and will be here if you want to call on us.

Mr. POAGE. Thank you very much, Mr. Killick, and your statement will be included in the record and if we have the time we will be glad to hear further from you.

(Mr. Killick's statement follows:)

STATEMENT OF JOHN A. KILLICK, EXECUTIVE SECRETARY, THE NATIONAL
INDEPENDENT MEAT PACKERS ASSOCIATION

Mr. Chairman and gentlemen of the committee, the National Independent Meat Packers Association (NIMPA) is pleased to have the opportunity to submit this statement of its position regarding H.R. 12115 by Congressman Bandstra and the various bills related thereto. These bills would amend the Packers and Stockyards Act of 1921, as amended, to prohibit feeding of livestock by "packers" (as that term is defined in the Act) who have annual gross sales of over \$1 million, by officers or directors of such packers, by any owner of more than 5 percent of such a firm and even would prohibit firms covered by the bill from purchasing livestock for slaughter by means of feeding contracts with individual farmers.

Before proceeding with our statement, let me explain that our Association is comprised of approximately 400 meat packing plants located in all parts of the United States which are engaged in virtually every aspect of meat packing industry operations. The word "independent" in the name of our Association, in general, (although there are certain exceptions) indicates that our members operate a single plant serving a community or region, in contrast to meat packers whose products have national or near-national distribution. Essentially, our members are important factors in the economic and civic life of their respective local communities, with very little "absentee" ownership or management represented amongst them.

Our Association is strongly opposed to the enactment of this legislation, as indicated in a resolution duly adopted by its Board of Directors while meeting in Washington, D.C. on May 20th of this year. Since this resolution sets forth in some detail the position of our Association on these bills, with your permission I should like to read the resolution to you and then, if I may, make a few additional comments. The resolution reads:

Whereas certain legislative bills now pending in the 89th Congress of the United States, including those designated as H.R. 12115 (Bandstra) and H.R. 12868 (Schmidhauser), in broad and comprehensive language, would make it unlawful for any packer whose gross sales were more than \$1,000,000 during the preceding calendar year, or for any officer, director, or owner of more than five percent of the stock of such packer, to engage in the business of feeding livestock, including livestock subject to any manner of control, by contract or otherwise, by such packer, officer, director, or owner, and such gross sales to include the sales of all corporations, partnership, associations, and individuals owned or controlled in any manner whatsoever, in whole or in part, through stock ownership or otherwise, by such packer or owner, officer, director, agent, or employee of such packer, and

Whereas such bills, if enacted would subject violators to drastic and extreme penalties for each day of the violation, including a fine up to \$50,000 or imprisonment up to one year, or both, and further would enable any person injured by such violation to sue the violator for treble the amount of the damages sustained thereby, and

Whereas the meat packing industry is one of the most competitive and yet highly regulated industries in the United States whose members, unlike public utilities which are assured of a market for their products and a reasonable rate of return, must be in a position at all times to move tremendous volumes of their products through their plants in order to earn even the very narrow margin of profit which is traditional to this industry, and

Whereas in order to supply slaughtering plants with the large and constant numbers of livestock necessary for even the survival of such operations, and in order to avoid the prohibitive costs of shutdowns due to shortages of livestock which can destroy not only such slaughtering operations but also the livelihood of the many employees dependent thereon, slaughterers must procure livestock from any and all available sources, frequently from very distant points, and in most cases must engage in some livestock feeding as well, and

Whereas if this proposed legislation were enacted into law, it would apply to virtually every slaughterer, small or large, in the United States and prevent each of them from feeding any livestock while such animals are awaiting slaughter, and

Whereas in this day of rapid transportation and highly decentralized slaughtering operations throughout the country no slaughterer is in a position to restrain unreasonably, much less monopolize, the market for livestock by virtue of cattle feeding operations but if such were threatened there already are ample federal laws on the statute books, including the federal antitrust laws and the Packers and Stockyards Act, to prevent such restraints: Now, therefore, be it

Resolved That the National Independent Meat Packers Association is opposed to these legislative bills and to any similar bills because there is no present or threatened need for such legislation; the bills would arbitrarily and unjustifiably prevent slaughterers from engaging in the wholly proper and necessary operation of cattle feeding; would not benefit the livestock producers and would not benefit the consumers but could well result unnecessarily in increasing the costs to them of meats while penalizing slaughterers as a group, increasing their costs of operation and, ultimately, reducing their number, to the detriment of themselves and of the public.

The objective of this legislation, however well intended to benefit the members of a certain group or class of the citizenry by insulating them against the competition of other citizens, is wrong in principle. Under the American system of free enterprise, which has produced the highest standard of living in the world, a man has always been free to choose and pursue, to the best of his ability, any lawful occupation. This principle was eloquently stated by Mr. Justice Bradley of the Supreme Court in his opinion in the famous *Slaughter-House Cases* of 1873, where he said:

"The right to choose one's calling is an essential part of that liberty which it is the object of government to protect; and a calling, when chosen, is a man's property and right * * *. A law which prohibits a large class of citizens from adopting a lawful employment, or from following a lawful employment previously adopted, does deprive them of liberty as well as property, without due process of law." *Slaughter-House Cases*, 16 Wall. (83 U.S.) 36, 116, 122 (Bradley, J., dissenting).

Despite the many changes in constitutional doctrine since 1873, it is still settled law today that the Government must treat every individual alike and cannot impose restraints on one that are not likewise imposed upon his neighbor. Where a regulatory statute treats one class of persons differently from another class, the Constitution requires that the distinction bear a rational relationship to a valid purpose to be served by the regulatory legislation. While statutory discriminations creating a closed class have been upheld, discriminations bearing no relation to a legitimate legislative purpose have been struck down as unconstitutional. *Morey v. Doud*, 354 U.S. 457 (1957); *Hartford S.B.I. Ins. Co. v. Harrison*, 301 U.S. 459 (1937); *Mayflower Farms, Inc. v. Ten Eyck*, 297 U.S. 266 (1936); *Smith v. Cahoon*, 283 U.S. 533 (1931).

In the proposed legislation, packers and persons affiliated with packers would be singled out as a class and prohibited from engaging in lawful enterprise. The distinction between packers and other classes of persons who might engage in feeding cattle is an invidious discrimination that bears no reasonable relation to the legislative purpose.

The extent to which packers have engaged, and are engaging, in packer feeding seems to be a moot question, depending on who is supplying and interpreting the statistics. Our only source of information thus far is the latest statistics published by the Packers and Stockyards Division, U.S. Department of Agriculture, which support our contention that the extent of packer feeding does not justify the punitive legislation here proposed. Like your Committee, we, too, have not had access to the figures referred to in Deputy Assistant Secretary Leonard's statement delivered here yesterday, but we note with interest, and heartily concur, in his statement that: "The heterogeneous nature of the commodity, and the great difficulties in comparing prices over time and between markets, make proof of price manipulation or price effect a formidable effort." Our fervent "amen" to this assertion is accompanied by our questioning as to how, in view of this admission, the Department could so flatly state, in the same statement, that: "Each additional 100 head of packer-fed cattle slaughtered per week lowered prices ten times as much as a comparable or equivalent 100 head increase in saleable cattle receipts at the market." Without

irrefutable and documentary evidence, we submit that this assertion is subject to challenge.

The packing industry already is the most highly regulated industry in the United States, other than public utilities, but despite this heavy regulation it has none of the benefits of a public utility. Indeed, the Packers and Stockyards Act alone gives the Secretary of Agriculture such broad powers as even to exceed the regulatory powers of the Federal Trade Commission. Our Association is opposed to the further increasing of the regulated status of the packing industry and believes that the legislation here proposed is both unnecessary and unjust.

We believe that in virtually every instance in which packers have engaged in some feeding of livestock, it was necessary for them to do so rather than being a matter of choice. Faced with the industry's necessity of high volume, the economic fact of its low margins, the necessity of paying guaranteed wages to packinghouse employees whether livestock for slaughter were or were not available, packers have found it necessary, because of short supplies of livestock, to resort to some cattle feeding in order to avoid the destructive effects and heavily increased costs of interrupted operations and shutdowns. We know of no law which forbids a businessman to try to keep his costs down so he can continue to compete and, if possible, make a profit. After all, a business which cannot make a profit cannot long operate and provide work for its employees.

It is also well known that the growth of the large supermarket after World War II saw an attendant increase in stricter specification buying on the part of packer customers, the retailers, whose specifications were, and are today, designed to assure the retailer of the type of meat for which his customers have indicated a preference. According to the figures issued by the U.S. Department of Agriculture, the amount of meat graded "U.S. Choice" rose from 3.99 billion pounds in 1956 to 7.57 billion pounds in 1965, an increase of 89.7 percent, while the total tonnage graded in the eight USDA grades—from Prime to Canner—increased only 47.2 percent, from 6.99 billion pounds to 10.29 billion pounds. This radical change in consumer preferences was reflected at the retail level by strict specification buying and a resulting challenge to the meat packing industry which had to be met. The differing, detailed and demanding requirements of retail customers forced the meat packer to provide himself, in some manner, with an assured supply of fed cattle that would fully satisfy the specification of his particular retail customers. If his suppliers could not or would not provide his requirements, in the quantities and qualities called for, he had no choice but to do some cattle feeding himself or lose his customers to other packers who were more fortunately situated, supplywise.

We have little doubt that even the modest amount of packer feeding being done today would be greatly reduced, if not entirely eliminated, if producer-feeders and commercial-feeders would provide the number and quality of fed livestock which the packer must obtain to meet the wishes of the consumer. In this connection, however, we believe that the individual farmers who engage in feeding must recognize the necessity of keeping abreast of the latest developments and improvements in livestock feeding if they are to survive in competition with commercial-feeders. No industry stands still.

To support the above contention, we would like, with your permission, to insert in the record immediately following our testimony, an editorial which appeared in the February 11, 1966 issue of the *Drovers Journal*, entitled "Fear Packer Feedlots?"

We believe that packers should remain free to feed livestock, just as we believe that producers and cattle feeders should remain free to become packers. A number of producer organizations are in fact packers and some of these are members of our Association. The bills here proposed, of course, would prevent those producers who are packers from feeding livestock. For in the meat packing industry, where high volume is requisite to any operation, the criterion set by this legislative proposal, namely, annual gross sales of \$1 million, would make this legislation applicable to virtually every independent packer in the United States.

We respectfully submit that the proposed legislation should be rejected.

[From the *Drovers Journal*, Friday, February 11, 1966]

FEAR PACKER FEEDLOTS?

Iowa Representative Bert Bandstra's prompt move to force Congress to consider amending the Packers and Stockyards Act to prohibit livestock feeding by

large packers and chain store organizations will be applauded by most feeders. He has introduced a bill which would do so, and has been promised that a subcommittee will hold hearings on the controversial subject.

Regardless of how the subcommittee reacts to the testimony, we believe the hearings are a good thing—they'll help clear the air on the subject and perhaps that will help everyone resolve the situation more clearly in his own thinking.

We say it will help many resolve their thoughts because we believe there is a good bit of indecision in the minds of many people on the subject. Even the cattle feeder or hog raiser who faces the competition directly and may be tempted therefore to conclude it is a bad thing cannot help harboring a deep-rooted feeling that banning anyone from engaging freely in a legitimate business smacks of dictatorship. So it isn't an open-and-shut case, no matter which side you're on.

A cattle feeder whose name we need not reveal has written us a long letter on the subject. It deals thoughtfully with many aspects of the situation, and we quote from it merely to cast more light on the issue.

"Some who are against packer feeding have complained that beef packers will draw cattle from their feedlots rather than pay higher prices in times of short supply," he begins. "I'm sure they (packers) will try to use their feedlots to regulate their supply. Wouldn't they be foolish not to try to avoid higher raw material costs if it is possible?"

"Very likely the main consideration for some packers is the opportunity to provide a smoother supply of livestock of the right quality from owned feedlots. As a beef cattle feeder, I must ask myself if I am providing the best 'livestock supply service' possible for my 'customers,' the beef packers. Possibly my failure, as an individual feeder and as part of an industry, to provide supplies in tune with the market requirement is forcing my customers to look for better ways of meeting their needs.

"Another way of saying this is: There must be something about the way I and my fellow beef cattle feeders have conducted our businesses that has provided an opportunity for a new kind of competition, the packer-operated feedlot. The packer planning to open a feedlot expects it to be profitable or he isn't much of a businessman.

"The biggest single cost of operating a feedlot is the cost of feeder cattle. For our yearling operation, 54 per cent of the total value of the choice steers we sell is the amount we have paid out for the feeder. How can the packer feedlot operator do any better? I don't feel that he really can do better unless he is buying 'special situation' cattle, such as underfinished steers that some other feeder mistakenly sells, or for some other special reason.

"A successful independent beef cattle feeder makes his connections with reliable sources of feeder cattle that he can depend on from season to season. I feel that the personal touch and attention the independent feeder can give to the buying of feeder cattle gives him an edge over the packer feedlot buyer. With regard to the purchase of feeder cattle, then, I don't see that we have to fear the competition of the packer-operated feedlot.

"What about other costs? The next biggest cost item is the feed. Something over 31 per cent of my selling price of choice steers is for feed, grain and supplement. Our cheapest gains are from good corn silage. No packer feedlot operator has anything better or cheaper, and he can't feed corn silage himself without incurring substantial transportation costs.

"About the same thing goes for the feed grain part of the ration. The cheapest source of grain is the farm where it is produced. I have the grain right on my own place. Anyone who wants to feed grain elsewhere has to pay to get it there. I don't see much advantage for the packer feedlot operator on this score.

"In the matter of protein supplement, I must admit the large feedlot operator can probably save a bit over me, by buying in bigger lots and driving a harder bargain. But less than 6 per cent of my selling value goes for the purchase of supplements.

"Another substantial cost is for labor. I don't see any advantage for the packer feedlot operator here either. He isn't likely to be able to hire help for any less and he has to hire supervision as well. My guess is that packer-operated feedlots would soon attract union organizers, and I feel certain I can compete very well with the work rules, fringe benefits and other extra costs that would be forthcoming.

"I like fringe benefits for myself, too, but there is a big difference. I can be flexible about the costs of the fringe benefits I take. When the going is good, I can be more generous; I can pull in my horns when the going is tough. The packer employer doesn't have that choice.

"What, then, is the advantage a packer feedlot operator has that would make me afraid of him as a competitor?"

"Maybe he knows more about animal nutrition than I do. But the latest nutritional data is fully available to me, too, through the agricultural universities, the USDA and my feed service salesman. If I'm not up to date, maybe I'd better study a bit harder.

"Maybe the packer feedlot operator has the advantage of more efficient, labor-saving equipment. I've been told that most of the really important labor-saving ideas for farmers and livestock feeders come from the inventions of individual farmers and operators. In other words, we have it first. So by comparing notes with our neighbors, reading the many fine farm papers available and challenging our own creativity and ingenuity, we can have the best of efficient and labor-saving equipment.

"One thing in the packer's favor is the ability to use the wide variety of industrial by-products. Some of these, like brewer's grains and corn gluten feed, are available to individual feeders through formula feeds, but generally the lowest cost form of these by-product feeds is available only to an operator large enough and close enough to take the mill's whole output in bulk, usually wet and often sticky or otherwise unpleasant to handle.

"If a new sort of feedlot operation succeeds in taking the place of another, there must be a reason," he concludes, "and that reason most often is that the new way is better. I don't know of anything about the packer feedlot that makes it especially better than our farm feedlot. So if we stay alert and make our operation better in every way we can, I don't feel we have much to fear from competition by packer-operated feedlots."

Interesting comment. Isn't he about right?

Mr. POAGE. Now, if there are no questions of Mr. Monfort and Mr. Guss—

Mrs. MAY. I have one, Mr. Chairman. I would just like to make this statement for the record, though in the interests of time I will not pose questions to either Mr. Monfort or Mr. Guss.

I would like to associate myself with the remarks of my colleague from Utah, Mr. Burton. I think these gentlemen's statements have put into perspective the very great reservations that those of us who represent western livestock areas have over this pending legislation.

I think Mr. Monfort put it very succinctly in his statement when he said that we have feeling and sympathy for the particular problems of the farmer feeder in Iowa but it is just impossible, it seems, at this time, to come up with the equitable legislation on a national level. If we attempt to make it tailor made for one specific area, then we are hurting far more people in other areas and this just does not seem to be the answer to problems we know that do exist in certain isolated areas. And I thank both of you gentlemen for bringing this out so clearly in your statement. I think you have helped us a lot in our thinking.

That is all.

Mr. POAGE. Thank you, Mrs. May.

Mr. CALLAN. Mr. Chairman, I have just one question.

Mr. POAGE. Certainly.

Mr. CALLAN. I can see a difference in the problem in the Western States as compared to the river markets. There is another bill introduced here which adds two words to the Packers and Stockyards Act. It says, in effect, if a packer is unduly influencing a market, then this shall be unlawful in the packer-feeding area.

Would you gentlemen support that type of proposition?

Mr. MONFORT. Unduly influencing a market?

Mr. CALLAN. In other words, the Department maintains that the language in the Packers and Stockyards Act is too broad to bring

these actions about influencing the price on a given market. There is some feeling among some people that by adding "unduly influencing" into the Packers and Stockyards Act, this would give them more teeth in this law to go out and try to stop the situation where they are moving cattle in at certain times to influence the market.

Now, would you have any objection to that kind of a proposition?

MR. MONFORT. Basically I do not believe I would as long as, for instance, in our operation, where we consistently kill our own cattle, we do not use them to play around with the market. As I say, we are not smart enough. Therefore, if it would not affect me—I am a little selfish, you know. If it does not affect me, this is fine.

Basically, as Mr. Campbell knows, I am in his hair all the time because I do not think they are doing enough on the total beef marketing. I do not think they are using all the law they have. I would specifically request that they get more involved in some of these problems. And if this would help them fight unfair practices, I certainly would not have any complaint with that.

MR. CALLAN. Mr. Guss, how do you feel about that?

MR. GUSS. I hope I am thinking correctly and Mr. Campbell could possibly help me. Is there not something built into the regulation that states that a packer cannot resell livestock on an open market unless it is only a temporary- or emergency-type measure because of the surplus that he may have at the moment?

MR. CAMPBELL. We are not——

MR. GUSS. He cannot engage in regular selling and buying of livestock for purposes other than defined by the term as "packers"; is that correct?

MR. CAMPBELL. We have also interpreted the act to prevent packers from speculating so they cannot on a regular basis sell livestock to a competitor, for example.

MR. GUSS. The point I have is a packer could not likely or certainly not more than once or twice, or it would certainly be brought to the attention of the Department, bring livestock in and sell them on the public market and influence the price. This is our idea of a safeguard built into the regulation.

MR. CALLAN. Would you have any opposition to "unduly influencing" being added into the Packers and Stockyards Act?

MR. GUSS. I have a statement here that has been prepared and you could consider this and this, in essence, could express my feeling. It states that—

the Packers and Stockyards Act presently makes it an unfair trade practice to engage in any course of business or do any act for the purpose or with the effect of manipulating or controlling prices in commerce. The Callan bill, H.R. 15461, would amend this provision by inserting the words "unduly influencing" immediately before the word "manipulating." The Packers and Stockyards Act is an antitrust type of statute and the words "manipulate" and "control" have some rather definite connotations. They imply an intended course of conduct. The word "influence" has no such connotation. Everything a person on a market does has an influence on the price. This bill would make it an unfair trade practice to unduly influence price. I would oppose any such modification because what may be an undue influence on price is a subjective term to be judged by some person in the Department of Agriculture. The expression might very well be unconstitutionally vague. At any rate, to modify the Packers and Stockyards Act in this fashion would have the effect of changing the basic nature of the act and would be a step in the direction of authorizing the Secretary of Agriculture to fix the prices of livestock and meat.

Mr. CALLAN. Some pretty good lawyer drew that up, I can tell you that.

Thank you very much.

Mr. POAGE. Thank you.

Mr. DOLE. Will the gentleman from Nebraska yield? I think you might want to add to your proposal the words, "by the United States Department of Agriculture." They have a lot of influence on the price.

Mr. CALLAN. On the market.

Mr. DOLE. Beef imports and hide exports, to name a few.

Mr. CALLAN. If the gentleman will yield, the U.S. Government does not import 1 pound of beef.

Mr. DOLE. I understand that.

Mr. CALLAN. Well, what do they have to do with prices, then, if they do not?

Mr. DOLE. I have just read a book called "The Farmers' Worst Five Years" which explains how the USDA has depressed market prices.

Mr. CALLAN. To get back to the point, does the USDA import anything?

Mr. DOLE. I am not certain.

Mr. CALLAN. They are not importing any beef; are they?

Mr. DOLE. They set the policy.

Mr. GREIGG. Bob, is it true they took that Goldwater surplus to print that book?

Mr. DOLE. No. I understand Mr. Le Roux is a Democrat.

Mr. GREIGG. I see.

Mr. POAGE. It would be real good to indulge in a political discussion here but we are not going to complete this unless we get back to the subject matter. I thank you gentlemen very much.

Mr. BANDSTRA. Mr. Chairman, could I—

Mr. POAGE. Yes; but if you are going to ask questions, you are going to have to ask them promptly. Go ahead.

Mr. BANDSTRA. I did not want to interrupt anything.

Mr. POAGE. You had better interrupt. That is all right.

Mr. BANDSTRA. All these small independent packers that you talk about in these Western States, do they all have more than a million dollars in gross annual sales?

Mr. GUSS. Yes, sir. I would say the greatest number. It takes very little to come up with a million dollars in the livestock and meat industry.

Mr. BANDSTRA. What about your packing business, Mr. Monfort?

Mr. MONFORT. It exceeds that considerably. I would like to straighten something out for the record. Although the Western States Meat Packers Association put my name in as a witness, I am not a member of this. I am a member of the Colorado Cattle Feeders Association, basically. But almost any packer of any size would have over a million dollars' worth of sales. That is roughly 3,000 cattle, for instance. That is anything over 60 or 70 head of cattle per week. So it would be strictly a local-service-type packer that would not be over a million dollars' worth of sales.

Mr. BANDSTRA. Thank you.

Mr. POAGE. Are there any further questions? If not, we are very much obliged to both of you gentlemen and I am going to ask Mr. Dole to introduce the next witness.

Mr. DOLE. I am happy to introduce Mr. Girdner Crofoot, Strong City, Kans., in Congressman Skubitz' district. Mr. Crofoot is the chairman of the American National Cattlemen's Association Feeder Committee, and president of the Kansas Livestock Association. I might say to Mr. Crofoot, that time is of the essence and if you can summarize your statement, the chairman and members of the committee will be most appreciative.

STATEMENT OF GIRDNER CROFOOT, CHAIRMAN, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION'S FEEDER COMMITTEE

Mr. CROFOOT. Thank you.

Mr. POAGE. It will appear in the record as though it was read in full.

Mr. CROFOOT. I understand that the statement has been sent to all members of the committee. Due to my business I have been real busy. As a matter of fact, Mr. Chairman, I am now engaged in business in your home State and between my own business in Kansas and Texas, and being president of the Kansas Livestock Association, and also being chairman of this Feeder Committee of the American National Cattlemen's Association, I never had time to gather up all the material and bring it with me.

My name is Girdner Crofoot, of Strong City, Kans. As I stated before, I am a cattle feeder in Kansas and recently in the joint venture in Texas at Lubbock, Tex., at the present time. I am also president of the Kansas Livestock Association.

I am here to represent the American National Cattlemen's Association and, as all of you well know, this association has been before you several times before. It is quite an old organization that is made up of 40 different State organizations and also thousands of individual cattlemen throughout the United States.

At our last convention in Kansas City, the association adopted no policy regarding H.R. 12115. We thought that at that time it was impossible to do justice to adopting a policy until the National Commission on Food Marketing's report was finished and published, to see what they would recommend and, since that time, since it has been published, our association has done a great deal of research from this report and I think it is still unclear whether the packer is increasing the feeding or whether it is the feeder that is getting into the packing business. And for this reason, we still feel that this bill could have many serious repercussions if it is passed.

Of our annual supply of fed cattle, 93 $\frac{3}{10}$ percent is already being supplied by the individual feeder and, as you well know, nearly all packing companies are required by labor contracts to pay their workers on a very—on a minimum number of hours per week, and it is very essential for them to operate their plant at top capacity and certainly for all the hours that they have to under their labor contract.

It has been stated, I know many times, among our own industry, that if the packer needed cattle, the feeder would furnish them for the packer. Sometimes we talk pretty big in our profession and sometimes we cannot fulfill what we say on a statement like that. So that it is, I think—to some extent I think the packer may be justified in protecting himself to some extent because it is very essential that he keep a plant at top capacity. Also, with the rising cost, with inflation facing us

here, now it is becoming more difficult all the time for us to obtain money to operate our businesses. It has almost come to the point now with the tight money situation and everything, it is almost impossible to expand, to acquire enough money to expand, so that it might take—the packers might be the only ones that might eventually end up with enough money to produce the meat that is required for the American public.

I think that is a long, long way off, probably, but it is a possibility with the money situation that we have today, that it might have a tendency to go that direction.

Regarding the provisions prohibiting any officer or director or owner of stock in a packing operation, of prohibiting them from feeding, we think it could be very injurious to the industry and also even in my own State of Kansas, we have cooperatives that have farmers that have jointly gone together and have built packing facilities for themselves and under this bill it could even prohibit them, I believe, to do such, to build their own packing plant.

Mr. BANDSTRA. If you will yield for a question, do these cooperative members own more than 5 percent of the stock?

Mr. CROFOOT. In some cases, yes.

Mr. BANDSTRA. One member would own more than 5 percent?

Mr. CROFOOT. It would be possible, yes.

Mr. BANDSTRA. Do you know of any cases in which they do, in a cooperative?

Mr. CROFOOT. Nothing that I can substantiate.

Mr. BANDSTRA. OK. Thank you very much.

Mr. CROFOOT. But it is, you know, on a new venture, especially when you are talking about the sums of money that it requires to build a packing facility, it is pretty hard to raise that much money from that many members. We do not have that great a population, you might say, to spread it over where maybe only one member has only one share of stock.

Mr. Chairman, I think my statement will be entered in the record.

Mr. POAGE. Thank you very much. It will be entered in the record without objection.

Mr. CROFOOT. Any questions?

Mr. POAGE. If there are no questions of Mr. Crofoot—

Mr. BANDSTRA. I have one. I take it from what you have said that you have no objection philosophically to having the entire cattle feeding or livestock feeding industry going in the direction of a totally vertically integrated arrangement, as we have in the poultry industry.

Mr. CROFOOT. I do not like it but I think that we are in changing times.

Mr. BANDSTRA. Yes. But you are not for doing anything about it?

Mr. CROFOOT. I do not think this country was built on prohibiting free enterprise.

Mr. BANDSTRA. Yes. What is your business, Mr. Crofoot?

Mr. CROFOOT. Cattle feeder.

Mr. BANDSTRA. I see. Do you feed any at all for packers under contract?

Mr. CROFOOT. No, sir.

Mr. BANDSTRA. I see. You feed only your own cattle?

Mr. CROFOOT. Yes, sir.

Mr. BANDSTRA. That is all.

Mr. POAGE. Thank you. If there are no further questions, we are very much obliged to you, Mr. Crofoot.
(Mr. Crofoot's statement follows:)

STATEMENT OF THE AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION, PRESENTED BY
GIRDNER CROFOOT, CHAIRMAN, FEEDER COMMITTEE

My name is Girdner Crofoot of Strong City, Kansas. I am a cattle feeder in Kansas and only recently joined in a venture to also operate a substantial feedlot near Lubbock, Texas.

I currently am president of the Kansas Livestock Association, but I appear here today as chairman of the Feeder Committee of the American National Cattlemen's Association. This 69-year old organization is a federation of 40 state organizations of cattle feeders and producers and thousands of individual members representing all phases of the beef cattle industry throughout the country.

The American National Cattlemen's Association, at its annual convention last January in Kansas City, Missouri, adopted no policy regarding H.R. 12115 other than to suggest that there were ramifications which needed clarification and that any action prior to completion of the studies of the National Commission on Food Marketing would be premature.

We have studied much of the background research for the Commission's report issued in late June of this year. Although there is some evidence that packer feeding is trending upward, statistics are unclear as to whether the increases in many areas are coming from packer ownership of cattle in feedlots or from feeders who are now in the packing business.

Acquisition or building of new packing facilities by individual stockmen or groups of farmers or other investors is a comparatively new phenomenon in many areas of the country, notably in Colorado, Missouri and Idaho. Whether this "upward integration" will effect downward integration is a moot point, but it is a development which we need to watch in consideration of any legislation which might distort a new condition while trying to cope with a historic situation.

H.R. 12115 also raises other questions concerning the impact, feasibility of administration, and advisability in attempting to meet a condition of the livestock industry.

Feeders perennially comment that if packers need fed cattle that they, the feeders, can and will feed them. Generally this is so, as evidence that 93.3 percent of the annual supply of fed cattle is provided by individual entrepreneurs. However, there are times and places around the country when feeders cannot or will not provide specific packing operations with adequate supplies or adequate quality to keep the plants operating at optimum efficiency or profitability. (Most packers are bound by labor contracts to pay workers for a minimum number of hours per week whether the plant operates or not.)

The proposed restriction of feeding by packers doing more than \$1,000,000 would appear to permit feeding only by very small packers who should surely find adequate supplies and quality from local sources. After all, \$1,000,000 in gross sales just of carcass beef, for instance, would represent the annual output of one or a few small feedlots with a total capacity of less than 5,000 animals. (5,000 600-pound carcasses—100 per week—at \$40 per cwt=\$1,200,000 less by-product credits.)

Restricting some buyers from activity in the feeder cattle market would obviously have an adverse effect on range cattle producers.

Restrictions on contracting would also have an adverse effect on some feeders, many of whom do not want to assume or cannot assume the risks involved in feeding, but who are able to feed only because of the shared risk implied with a forward contract. In an era of "tight money," prohibition of contracting could have a substantial impact on the meat supply.

Because of additional and rising costs in raising and feeding livestock, with no downward trend in sight, the credit needs of livestock farmers and ranchers are becoming a sizable factor in determining expansion or continued operation. It is not unrealistic to project ahead to a time when packers and retailers, both corporate and cooperative, may be the only ones able to command the amount of development and working capital needed for expansion to meet the nation's meat needs. This seems many years away, but the current inflation and credit situation would hint that it is not an impossibility.

Regarding the provisions prohibiting any officer, director or owner of more than 5 percent of the stock in a packing operation, we question if this is feasible,

or, in many cases, equitable. Under logical interpretation, it would mean many of the farmers and ranchers who recently invested in packing operations, whether as corporate shareholders in a local concern or as major supporters of a cooperative, would also be prohibited from pursuing their usual occupations. Would all the members of a cooperative owning a packing plant be exempt or included?

It seems to us that H.R. 12115, however sincere in its intent, creates far more problems than it would solve and might well be a serious deterrent to the needed stability and expansion of the nation's livestock and meat industry. We respectfully suggest that it be considered in that light.

Thank you.

Mr. POAGE. Now, we have five more witnesses and we have 15 minutes. The House goes in session. I think possibly that to expedite matters we should call on Mr. Francis York, who is here from Indianola, Iowa.

Mr. BANDSTRA. I would like to introduce Mr. York.

Mr. Chairman, I am very happy to present a friend, not only of mine but a friend of the farmer, Mr. Francis York, from Indianola, Iowa. He puts out a farm newsletter which is very good indeed and has done a good deal of work, a lot of research in this particular field, and I am very glad to have you here, Mr. York.

Mr. POAGE. Thank you, Mr. Bandstra. Mr. York, we will be delighted to hear from you.

STATEMENT OF FRANCIS YORK, PRESIDENT OF THE FARMERS MARKETING SERVICE, INC.

Mr. YORK. Thank you, Mr. Chairman and members of the committee. The issue we are discussing as this hearing is far greater than a simple decision of who is going to feed the Nation's cattle in the future. If this were the only decision, I would not spend time and money to come down here.

In my honest opinion this issue is a matter of national security. We are presently living in a very dangerous era, and it is going to be more dangerous later on. Immediately following World War II we had a policy of decentralizing essential industry. Now, only 20 years later we are centralizing a very important part of our food industry, beef. At the present time we are fighting another enemy, whether we call it a war or police action or whatever it maybe, and we are relying at this very same time on food production to be centralized.

Now, we must realize that at any time we have approximately a 6-month potential beef supply in feedlots, on farms, and in these commercial feedlots.

Now, in my opinion, and I know something about national security because I served in both World War II and the Korean conflict, and I know that 50,000 head of cattle are much more secure if they are distributed in numbers of 100 on 500 farms than they would be concentrated in one feedlot of 50,000 head. I do not think anyone stops to realize that 1 man could destroy several of these 50,000-head units in a very short period of time simply by poisoning water supply.

This also means the loss of more farm families. Every time we take a hundred head of cattle away from a farmer and put it in a feedlot, we are going to move farm families off the farm. We are going to take away local business such as banking business, trucking business, feed business, and everything else that goes along with feeding cattle.

It seems to me that in the past 14 or 15 years, we have already moved too many people out of the rural parts of America. We have concentrated them in cities. I think everyone will have to agree that we have large numbers of what used to be farm laborers concentrated in cities right now. They have no education, they have no trade, and they are marching in the streets, destroying property.

I think if we continue this erosion and exploitation of rural America we are going to end up with some very dire consequences.

I would like to mention the effect of having these large numbers concentrated. Now, in 1963 when I started my publication, I spent several thousand dollars pushing the idea of lighter weight marketing for cattle to work off that excess. During the year of 1964, when we had the very disastrous cattle prices, we had an average monthly cold storage supply of all red meats of 727 million pounds, and when we got that down to 390 some million pounds in 1965, then we began to have some decent prices and we began to have some competition. We have had times when cattle prices would be up 75 cents, a dollar, as much as \$1.75 a day. Now, in my opinion, it does not make any difference whether you have got 700 million pounds of meat in cold storage or whether you have got 700 million pounds right outside of a packing lot on the hoof. It is still readily available and can affect the price.

During that first part of 1965, we see the dressed rates of cattle prices drop from 621 pounds to 574 pounds. And just by removing this very small percentage, we finally saw some competition in the beef market.

I would like to comment very briefly on this reduction of the consumer expense from 26 percent of their disposable income down to 18. Too many people, in my opinion, give credit to efficiency. I say it is not efficiency at all. They have been taking that much away from the American farmer. This is where it comes from. It did not come from efficiency. It came from the marketing system that did not give the farmer a fair price, and he was donating his time, and this is the reason we have seen so many of them leave the farm. They could donate their time for so many years until their equipment is depreciated and then they can no longer donate their time, and this is where the reduction in consumer prices came from, in my opinion.

Thank you.

Mr. POAGE. Thank you very much, Mr. York. We appreciate your statement.

Are there any questions? If there are no questions, Mr. York, we are very much obliged to you, sir.

Mr. YORK. Thank you, sir.

(Mr. York's statement follows:)

STATEMENT OF FRANCIS L. YORK, PRESIDENT, FARMERS MARKET SERVICE, INC.,
INDIANOLA, IOWA

(Testimony for H.R. 12115 at hearing, Livestock & Feed Grains Subcommittee,
Washington, D.C., October 6, 1966)

The issue we are discussing at this hearing is far greater than a simple decision of who is going to feed the nations cattle in the future. If this were the only decision, I, would not spend time and money to come down here.

In my honest opinion this issue is a matter of national security. We are presently living in a very dangerous era. More dangerous, in fact, than the era immediately following World War II. Yet, at that time, we had a policy of decentralization of our essential industry.

At the present time we are again trading shots with an enemy force and, at the very same time, we are allowing an important part of our essential food production to be highly centralized.

At any given time approximately six months potential beef production is in feed lots throughout the nation. Fortunately, all of this potential production is not yet in centralized feed lots. However, the time is fast approaching when most of this production will be centralized unless we act now to reverse this dangerous trend. I wonder if anyone realizes how quickly this centralized beef production could be completely destroyed.

Being a veteran of both World War II and the Korean Conflict, I know something about national security. I know that 50,000 head of cattle would be much more secure if scattered among 500 farm feed lots than they would if concentrated in one lot holding 50,000 head. The issue of national security alone should be enough to convince anyone that this centralization of our essential food supply must be held to a minimum.

There is also a very grave economic issue involved. Each farm feed lot is a factory that converts raw material into beef on the hoof. During the past decade we have seen almost every rural town holding their front door wide open to welcome any industry. At the very same time the cattle feeding industry has been hustled out the back door.

This means loss of more farm families; it also means the loss of feed business, trucking business, banking business and loss of all other business related to cattle feeding. In addition to this loss of rural business there is also the loss of profit or potential profit. There should be no question of the fact that packers and chain stores do not feed cattle for the profit derived from the feeding operation alone.

The most important issue of all is the human equation. By this continuous erosion and exploitation of rural America, we are destroying by degrees the hopes and dreams of people. There is a great difference between agriculture and other industries of our country. Agriculture requires people with a love for the land, a love for animals and growing plants. This special qualification is not acquired from books and Universities. It is something with which you are born and something with which you are raised. A twenty-one year old farm youth already has acquired about fifteen years of "on the job" training.

We hear a great deal about free enterprise and of how we must not stand in the way. It seems to me that private enterprise has also played an important part in the growth of our nation and our standard of living. Perhaps we had better think twice before we allow Agriculture, which is the last outpost of private enterprise, to fall into the clutches of the untouchable planners.

I forcefully recommend that this bill become law.

ANCHORAGE, ALASKA.

GENTLEMEN: I would like to support Mr. York in his views, tell you that you are doing nothing for the thousands of little farmers who raise 10 to 25 head of cattle, feed and milk. My family and they get their total support from this source. We have many farmers move in from these farms into the city. You know what this is doing. Suggest you go into middle west and have a look. Talk with these people.

You talk about time is very important. But to a farmer, he works 16 hrs. a day—that little—just to feed his family and there sure isn't many steaks on those tables.

Thank you, but for what I don't know.

BARTON E. CHANDLER.

Mr. POAGE. Now, we have Mr. Dal Ferry, of the U.S. Poultry & Egg Producers Association.

Mr. FERRY. Mr. Chairman, I am Dal Ferry, and we will submit a statement.

Mr. POAGE. Without objection, a statement will be submitted for the record by the Poultry & Egg Producers Association.

(The statement referred to follows:)

STATEMENT OF DALLAS K. FERRY, EXECUTIVE DIRECTOR, UNITED STATES
POULTRY & EGG PRODUCERS ASSOCIATION

Mr. Chairman and members of the committee, my name is Dallas K. Ferry, and I am the Executive Director of the United States Poultry and Egg Producers Association. Our membership is solely voluntary and confined exclusively to the producers of poultry and eggs.

We appreciate the opportunity to appear before this distinguished Committee in support of the principal of the Bandstra Bill, HR 12115, which would limit large scale feeding of livestock by meat packing firms. In our opinion, we must look at the whole of agriculture, not just segments, and we feel there is ample reason for applying the principles of this bill to both the broiler and egg industry.

We realize that this hearing is to study a beef packer-feeder bill, but this committee is also the only committee that holds hearings on problems relating to the Packers and Stockyards Act. Poultry is under the Act and eggs, in our opinion, should be. In addition, it is important that every one hear both sides of the vertical integration story of the poultry industry. Since we represent the producers of broilers and eggs—many of us formerly independent producers—we hope you will forgive us if we seem biased at times.

In the early 1950's, there was very little integration and contracting in the broiler industry, and probably none in the egg industry. In comparison, it is our understanding that the livestock industry has packer feeding to the extent of about six per cent at present. Today, for all practical purposes, there is 100 per cent integration in some form or another in most broiler producing areas—the notable exception being the Delaware-Maryland areas with a poultry auction. The broiler industry men who are very concerned with their public image may try to convince you that all is well in the industry, that they own it, and that they have accepted all the financial responsibility. However, there is another side to this coin.

The National Commission on Food Marketing in their report, "Organization and Competition in the Poultry and Egg Industries", said "Broilers grown by the companies themselves, or by their officers and directors, accounted for a relatively small share of the total, and the trend has not been rising." Company officers and directors, according to the report, only account for 5.2 percent of the total in 1964. This is, in our opinion, the biggest and most important 5.2 per cent of all the broilers produced, and combined with the 53.5 per cent grown on contract by others for the processing firms, as shown in table 2-1 of the report on page 5, accounts for 58.7 per cent of all broilers grown.

It is difficult to conceive that this quantity under the control of processors does not influence the contract returns. We know it does, but to what extent we are not sure. The other 41.3 per cent of the birds produced by contractor-integrators, without processing facilities, must be in most cases sold to the same processors who either own or contract for the other 58.3 per cent.

We are naturally concerned about farm growers of broilers and their contract returns. If a person wants to grow broilers in the poultry producing areas, he must first obtain a contract, either with a processor-integrator or a contractor-integrator. There are approximately 25,000 broiler growers in the U.S. and this year they will produce about 2.8 billion broilers.

A free, open competitive market no longer exists for a grower wanting to finance his own operation and sell his product. It is obvious that when the grower's broilers are under control by processors in one form or another, the grower is also under control. Growers asking for better contracts from integrators are told, "If you do not like my contract, I can grow the broilers myself," or "I can get someone else to do the job for the price." The reason he can make the last statement is that agriculture is overstaffed. This situation is unfair to the man who has his capital and time invested in a broiler operation in which he is financially encaged.

We cannot deny that the consumer has benefitted from this system, since he certainly has had access to low cost broilers. If what we ask of our economic system is only a low cost product, then this method might be best. However, our membership believes that the public interest is best served when those who produce agricultural products have a voice in the marketplace and receive an adequate return for their costs of production.

With the present laws and regulatory measures, the broiler producer must depend almost entirely upon the benevolence of the integrator. For instance, in 1962 about half the growers in Arkansas rebelled against this system. This resulted in a number of growers being boycotted and blacklisted. The situation was called to the attention of the Packers and Stockyards Division. This case is now on P & S Docket #3497. Three of those who were boycotted are still unable to produce broilers. We maintain that if a free market had existed, they would be producing broilers today. The others are still fairly effectively cowed and subdued. The empty broiler houses of those who are boycotted stand as a shining beacon to alert growers who would be so audacious as to challenge this system. There is an unwielding force with whom growers must deal, namely the integrated broiler industry.

The national egg laying flock averages about 300 million hens annually. There are a number of hen factories in operation now with from one to two million birds. It would take only 300 plants with a million hens to provide all the nation's eggs or 3,000 plants of 100,000 hens. The strength of our agriculture has been its diversity and its decentralization.

Economic studies show that efficiency can be obtained in these large operations. However, there are other criteria which must be considered in the national interest. With a concentrated agricultural economy, the U.S. would be more vulnerable to any enemy attempts to destroy our productivity. In addition, the U.S. consumer might also be subjected to inadequate supplies of food from time to time because of massive disease in this concentrated sector.

As I have stated before, the best insurance policy against this is diversity and decentralization of our agricultural economy. Given equal production cost factors, the family farm operator with five to eight thousand hens can compete with anyone. However, he cannot compete with someone who has another source of income, farming to get a tax deduction, or selling feed to an integrated plant to keep the feed mill operation on a full capacity basis.

In the egg industry, we find egg processors, national feed firms, and chain-stores. We believe that limitations, such as those suggested in the Bandstra Bill, would be helpful in preventing the establishment of these tremendously large egg factories. It would be a means of keeping the industry in the hands of individuals where it rightfully belongs and where it is in the best interest of the American public.

We have endeavored to show the results of vertical integration. There is an inclination to assume that the broiler and egg industries are too far gone to make changes. This is not so in our opinion. We have had to do some pruning and shearing in other industries. Why not establish some guidelines for poultry and eggs, too?

We ask that this distinguished Committee give thoughtful consideration to this bill and not confine your thinking to only packer-feeding. There is much more at stake in the field of agricultural marketing that is in dire need of your attention.

In your deliberations, we hope you will study the effect of requiring all production owned or contract grown to be offered on the open market with prices determined by competitive bids.

Thank you.

Mr. POAGE. Mr. Angus McDonald of the National Farmers Union is present. Mr. McDonald.

STATEMENT OF ANGUS McDONALD, DIRECTOR OF RESEARCH, NATIONAL FARMERS UNION

Mr. McDONALD. Mr. Chairman, because of the lack of time I will file my statement. I have one request, however.

Mr. POAGE. Yes, sir. Without objection your statement will be included and we will be glad to hear from you.

Mr. McDONALD. I have one request. I have a chart here. Unfortunately I only have one copy. See how large the chart is. I would like to have that be printed in the record.

Mr. POAGE. I do not know that it can be. We will undertake it. I do not know the printing procedure but we will—if it can be done, we will do it.

Mr. McDONALD. Thank you. It is very small.

Mr. POAGE. And if you would like to, we will pass it to the members right now.

I do not know what the procedure is about printing charts.

Mrs. HANNAH. I believe it can be, Mr. Poage.

Mr. POAGE. If it can, fine, we will do so. You cannot reproduce it in color or anything of that kind, I know, but I do not know how much can be done. We will include it in if possible.

Mr. McDONALD. Thank you.

(The statement and chart follow:)

STATEMENT OF ANGUS McDONALD, DIRECTOR OF RESEARCH, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee: We appreciate the opportunity to appear here in support of the principles set forth in H.R. 12115. Although we have certain reservations about the possible effect of the legislation on farmers and farm cooperatives, we believe that if any possible difficulties arise, they might be surmounted by appropriate amendments. We have called this matter to the attention of our General Counsel and would like to have permission to submit, at a later time, his expert interpretation of the bill.

Members of the National Farmers Union have been concerned over a period of years about the invasion of farm markets by off-farm interests. We welcome, of course, any competitive forces that intrude into the market place but fear that in many instances large meat packers and chain stores have destroyed to some extent farm prices arrived at by means of competitive forces.

We call attention to the recent report of the National Commission on Food Marketing. This report was made possible by the action of this Committee. Members of the Committee may recall that the officials of the National Farmers Union appeared here to urge the authorization of the study which the Commission made over a period of some two years. We feel strongly that for the most part the report of the Commission was an excellent contribution. The Commission found that farmers generally suffered from a lack of bargaining power. Giant corporations often dictated a price to the producer without regard either to competition or to the value of the product. As a result farmers in many instances were forced to sell at below farm production costs.

The point should be made that the National Farmers Union is completely in favor of any efficiency in agricultural production and distribution if it doesn't redound to the adverse interest of the farmer. We are in favor of vertical integration, if it is farmer-controlled. We hope, at some future time, cooperatives will engage in food processing and distribution.

The study of the Commission, as well as other studies and reports by the Department of Agriculture, indicate that vertical integration in the food industry has greatly increased during the last few years. Packers and chain stores have gone into cattle feeding and, as pointed out, in some instances have arbitrarily depressed prices. Control of giant feed lots by packers and chain stores represent in the view of many of our people an economic threat to the farmer. I call attention to the fact that some time ago 60 of our farmers in Iowa made a special trip to Washington to lobby for the legislation under consideration here. Our contacts with members in other areas lead me to believe that farmers in other States also would be in favor of this bill. Cattle feeding has been one of the main topics of discussion in Farmers Union meetings for some time.

Cattle feeding has been increasing by leaps and bounds. In 1962, according to the Department of Agriculture, only five feed lots in 32 states surveyed had a capacity of 32,000 head or more. By 1964 this number had doubled. Increases in the number of cattle fed would not be such a threat to the producer except for the economic concentration in the meat packing industry. In Colorado, for example, two packers account for nearly one-third of the beef slaughtered and

90 per cent of the hogs slaughtered. The four largest packers account for 54 per cent of the cattle slaughtered; the ten largest account for 89.9 per cent. Food chains account for 28.6 per cent of the cattle slaughtered.

It has been contended that since packers only feed a very small percentage of the cattle slaughtered that cattle feeding by packers is not a threat to producers. We have reason to believe that the annual reports of the Packers and Stockyards Division greatly underestimate the participation by packers in the feeding of cattle. According to one study 209,827 head of cattle were fed by packers in their own lots in Colorado in 1964. Of this total only 12,117 head or 12.4 per cent appeared in annual reports of packers. Among the 12 largest packers in Colorado only one, the National Tea Company, reported marketing of fed cattle from lots owned by the company. Monfort, Capital Packing Company, Food Fair and Sigman all reported no cattle fed. The study referred to indicates that the large packers (27,000 or more head) fed 17 per cent of all of the cattle slaughtered in the State. If small packers are included, the proportion is 19 per cent. Yet the Food Marketing Commission reported that nationally only 3.4 per cent of total cattle slaughtered were fed by packers.

The explanation for the disparity in figures as indicated by P&S and by the study consulted lies in the fact that reports to the Department of Agriculture do not reveal corporate connections and interlocking directorates. For example, Monfort, the Capital Packing Company and Sigman all have connections which are not revealed by their reports to P&S.

The trend toward economic concentration in the livestock industry has been paralleled by a decline of competitive terminal markets. Direct marketing has taken the place of terminal marketing. According to the study consulted by 1965 marketing through most terminals consisted almost exclusively of cows, bulls, and a few feeder cattle. The terminal market at San Francisco was closed in 1958, and in the early 1960s the terminal at Los Angeles was closed. The terminal at Denver continues on a limited basis but economists have predicted that it too will disappear in the next few years. These are ominous developments for the independent producer. Another threat to producers is the entry of retail food chains into meat packing and cattle feeding. In Colorado three retail food chains ranked 3rd, 4th and 7th in cattle slaughtered in 1964. As pointed out above, all of the chains accounted for 26 per cent of all the cattle slaughtered in the State for 1964. These three accounted for 37 per cent of the slaughter by the nine largest beef slaughtering firms.

The effect of chain store participation in the feeding of cattle on price is indicated in the chart exhibited here. During the period November 1962-May 1963, there was a catastrophic drop in the cattle prices of the Denver market. The chart graphically tells the story both of the drop in cattle prices and in the activities of the chain store which, according to our information operates a feed lot of 40,000 capacity. Apparently, the chain store got out of the market when prices were high and resumed purchases at the terminal market after prices had fallen drastically. In our opinion this chain store used its feed lot to manipulate cattle prices.

Finally, we urge the Committee to approve this legislation with an appropriate amendment which would allow farmers and farmer cooperatives, if they chose, to engage in cattle feeding, meat packing and processing. We feel strongly that competition in the livestock industry must be preserved if we are to have a healthy industry. The policy of the United States Government in regard to agricultural production appears to be changing. Under the Food for Peace legislation our Government has undertaken additional responsibility in regard to feeding hungry people around the world. If competition is eliminated in agriculture, farmers cannot be expected to respond to requests for additional production. They need to be assured that they will receive fair prices in the market place which are responsive to the law of supply and demand.

(The chart referred to above was submitted at a previous hearing and may be found on p. 4.)

Mr. POAGE. Mr. Don Magdanz of the National Livestock Feeders Association? Is he present?

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-
TREASURER OF THE NATIONAL LIVESTOCK FEEDERS ASSOCIA-
TION

Mr. MAGDANZ. Thank you, Mr. Chairman, members of the committee, I would have liked for an opportunity to give our complete statement but I presume that there is not going to be sufficient time for me to do that.

Mr. POAGE. How long is your statement?

Mr. MAGDANZ. Probably 20 minutes.

Mr. POAGE. I am afraid the House—I know the House will be in session long before that time.

Mr. MAGDANZ. I assumed as much. The reason I had hoped for such an opportunity is the fact that I believe that our statement is sufficiently analytical so that it is going to answer quite a number of the questions that have been raised during the hearing yesterday and this morning. But under the circumstances if you prefer, I will be glad to try and summarize it.

Mr. POAGE. Without objection, the statement will be included in full and we will be glad to have you summarize it.

Mr. MAGDANZ. Thank you, sir. We do at the outset want to express our gratitude to the Honorable Bert Bandstra for his genuine interest and concern for livestock feeders, as evidenced by the introduction of H.R. 12115. The proposed legislation has served to focus attention on what could become a very serious problem to the feeders. The substantial increase in packer feeding is a development which can be considered to be of far-reaching consequence to the competitive structure of livestock marketing and pricing. In fact, since agricultural production, and livestock in particular, represents the outstanding example of individual economic enterprise left in this Nation, engulfment of the production segment by the processing segment has comprehensive meaning to the structure of the entire economy.

Now, with that opening statement I would go through and merely touch on some of the sections that we have included in our statement, the first being that of the extent of packer feeding and we have started out with a statement relative to lambs being fed by the meat packing segment and I would like to say that I have personally had some experience in this particular area as I personally am, if you will pardon the term, an old lamb feeder, having fed lambs all my life ever since I was old enough to do so, and I would also like to say that in 1955 after feeding from 6,000 to 10,000 head of lambs every year for quite a while, we finally quit feeding lambs because we were unable to compete in the marketplace with other lamb feeders who were the only buyers of lambs that we had.

Our market was largely in the river market area, principally Sioux City and Omaha, because of the location of our feedlots, although we did sell lambs on the Chicago market and shipped them there. We used all three and very often as a result of lambs being brought in from a packer's feedlot at such places as Cozad, Nebr., and at Omaha, Nebr., and various other spots, we would wind up on the Sioux City market, for example, with only one buyer, and this didn't occur just on Monday. This would occur Tuesday, Wednesday, Thursday, and Friday. And we would not compete with this kind of a situation.

We would compete with them any day in the week so far as the actual feeding of lambs was concerned and we could compete with them feeding lambs. We could feed cheaper than they could, but they were the only buyers that we had and we couldn't compete with them under those circumstances and in 1955, we quit feeding lambs.

I would say to you that the year before I sat in the offices of one of the large packers—and I am not here to point a finger at any individual packer, so I will withhold the name—when they told me, an officer of the packing company opened his books and told me that the year before, 1954, that they had slaughtered 3,500,000 head of lambs in their plants and they had fed 350,000 head themselves, which was exactly 10 percent of their annual slaughter in that year 1954.

We go on in this statement to enumerating the extent of livestock feeding by packers and emphasize that none of the figures included up to that point include cattle fed by nonreporting subsidiaries and/or affiliates or by officers, directors and owners and large stockholders.

There was a study made in 1961 which attempted to separate out the number fed by these officers and directors, and so forth, and they came up with a figure at that time that is also contained in the report and projecting that—projecting the total fed in 1964 by the packers themselves, and projecting the number fed by officers and directors and assuming that it was approximately the same, it would be logical and a conservative estimate to conclude that packers, their affiliates and subsidiaries and owners, officers and employees are feeding over 10 percent of the fed cattle being marketed based on past history.

We move on into various other areas and set out the reason that we believe packers feed livestock. We use the word "reason" in the singular and in the title of that section because despite all carefully worded reasons given, meatpackers feed livestock for only one purpose; namely, that of providing a hedge in buying livestock from producers and feeders, and I want to point out very emphatically that a supply protection in the procurement of livestock immediately becomes a price hedge. It can be no other way.

We then say that this argument for feeding livestock generally breaks down into four areas. No. 1, livestock deficient areas; that is, the need to feed to assure a supply. No. 2, the irregularity of market receipts or numbers being offered for same promptly. No. 3, need cattle for Monday morning kill. No. 4, feeders have not been responsive to the demands of the market; therefore, packers must feed in order to have specific kinds needed. And then we look at each one of the arguments that I have just given you and I think we satisfactorily refute every one of them.

We do believe that packer feeding does undermine the market price system by actively engaging packers in a segment of the industry from which they buy. The market price determination mechanism has long been a bulwark to the organization of agriculture and its thousands of independent producers. This applies to meat animals in particular. The great virtue of the commodity price system is in its impersonal nature and its built-in protection and independence of each individual producer and firm. As long as there is no collusion or monopoly, each seller enjoys the protection of being able to deal with more than one of several possible buyers.

We then, Mr. Chairman, set out our position, the position of our association, with respect to packer feeding of livestock, and we do have a very strong objection and oppose the feeding of livestock by packers very vigorously.

The statement is—the policy statement is contained in our statement before you. However, I do have to point to you that in an official communique to the board of directors in connection with the resolution that has been adopted, the association members instructed the board of directors that the policy is “not necessarily a declaration to seek or support legislation that would prohibit this practice.”

Now, our real objection is not so much to packer feeding of livestock per se, but it is an objection to the influence that packers can cause by feeding livestock and using that fed livestock in their daily, weekly, and monthly kill. This is where our real objection is, and I said earlier that we feel we can compete with packers any day in the week when it comes to feeding livestock. Rather, our concern stems from the influence on prices and the degree of market control which a captive supply of livestock affords packers, the only purchasers of slaughter livestock that we have.

We do feel our position is supported by the Federal Trade Commission investigation and the litigation which led to the issuance of the consent decree in 1920 against Armour, Swift, Wilson, Cudahy, and Morris and to the enactment of the Packers and Stockyards Act by Congress in 1921, and the consent decree, of course, has been discussed rather extensively up to this time.

We are now acting under current instructions from our people to urge and initiate amendments to the Packers and Stockyards Act that would make it unlawful for meatpackers to engage in any activity that unduly influences prices and we pursue this along with others to discourage packer feeding, but we do have to hold prohibitive legislation in abeyance as a last resort to the solution of the problem.

In other words, I do have to say that our people are not ready at this point to encourage or support the passage of prohibitive legislation. However, we do want to emphasize, Mr. Chairman, that provision has been made in our association policy for doing so as a last resort if, in the final analysis, this proves to be the only route which we can take to curtail the practice and to remove the threat of undue price influence and market control.

There are several alternatives set out in our statement that we feel can be used and they are enumerated beginning on page 7 with action under section 202(e), title II of the Packers and Stockyards Act.

We do mention here the amendment that we—that our association is in favor of and has been introduced by Mr. Callan of Nebraska, known as H.R. 15461, which would place these words “unduly influencing” in the prohibitive section of the Packers and Stockyards Act.

We feel that there are only three alternatives open to livestock feeders; that is, individual livestock feeders, in seeking protection from the threat of undue price influence and market control resulting from packer feeding. And these three alternatives are these. One would be legislation, one of several kinds, requiring slaughterers to discontinue or at least curtail feeding operations and compete in the

market for supplies, or, (b) restricting the use of livestock fed as a captive supply to hedge price in purchasing for producers and feeders.

The second alternative would be to encourage third parties to provide custom slaughtering and perhaps selling service to feeders on an agency basis. And the third alternative, actually entering the slaughtering business themselves.

Now, there has been some issue raised about feeders going into the packing business which would be the third alternative that I have just mentioned, and we have included a section in our statement about feeders going into the packing business. We do not feel that the economic situation, the economic makeup of the two businesses, is identical, and therefore that there is a difference in the effect on the market so far as feeders going into the packing business are concerned as compared to packers engaging in the feeding business, and I think we have set this out rather vividly.

However, in all fairness to the entire situation, we do conclude our statement by saying this, that should the time ever come when feeders going into the packing business could exert adverse influence on packers comparable to that which packers can now exert on feeders by feeding their own livestock, we would have to agree that what is sauce of the goose is also sauce for the gander.

And in conclusion of this summary, as I said initially, Mr. Chairman, while we are not in a position to give our wholehearted support to the bill that is being heard before your committee today, we have conferred with Mr. Bandstra on this matter from time to time and he is fully aware of it, we do want to compliment him highly for introducing the legislation and for being able to hold hearings on the legislation, not only here but also in Des Moines, in order to focus the spotlight on this, a very important and serious problem, we believe, to the future of the livestock feeding industry.

Mr. POAGE. Thank you very much, Mr. Magdanz.

(The document referred to follows:)

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, AND B. H. JONES, ASSOCIATE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

INTRODUCTION

The National Livestock Feeders Association wishes to express its gratitude to the Honorable Bert Bandstra for his genuine interest and concern for livestock feeders, as evidenced by the introduction of H. R. 12115. The proposed legislation has served to focus attention on what could become a very serious problem to feeders. The substantial increase in packer feeding is a development which can be considered to be of far-reaching consequence to the competitive structure of livestock marketing and pricing. In fact, since agricultural production, and livestock in particular, represents the outstanding example of individual economic enterprise left in this Nation, engulfment of the production segment by the processing segment has comprehensive meaning to the structure of the entire economy.

PACKER FEEDING INCREASE ALARMING

Packers have fed and/or controlled a substantial portion of the fed lambs a number of years. Some years ago, farmer-feeding of lambs throughout the Corn Belt and in Colorado was a very important enterprise. Many of these feeders simply quit the business, giving as their reason that the packers had wrecked the market through their feeding operations. I (Magdanz) speak from personal experience in the case of lambs because I was one of those who quit the lamb feeding business as a result of the greatly increased feeding activity of packers

and the adverse effect such practice had on packers' aggressiveness on the open market.

It is rather hard to arrive at an estimate of the proportion of fed lambs being fed and/or controlled by packers because of lack of meaningful statistics (comparison with total sheep and slaughter is meaningless). Based on the best figures we can obtain, we estimate that packers feed 20-25% of the lambs fed in Iowa, one of the two largest feeding states in the nation. We also estimate that overall they feed at least 15% of the total number of fed lambs marketed.

In the case of cattle, packer feeding has increased at an alarming rate during the past 10 years. According to figures published by the Packers and Stockyards Division, USDA, the number fed in 1964 (last year for which data is available) was double the number fed during 1955. In terms of the proportion of total fed cattle marketings, beginning in 1960, packers have fed around 6.5% of the fed marketings from 39 states each year through 1964, except for 7.4% in 1963.

California, Texas, and Washington accounted for over 43% of the cattle fed by packers in 1964. The three states in which packers fed the greatest proportion of the total fed numbers marketed were Washington (38%), Florida (25%), and Idaho (22%).

And it should be emphasized that none of the above figures include cattle fed by non-reporting subsidiaries and/or affiliates, or by officers, directors, and owners or large stockholders.

Current information is not available on the feeding activities of these firms and individuals and it is, therefore, impossible to determine the trend on such volume. A special report covering 1961 indicated that owners, officers, and employees of all packing firms fed at least 350,000 cattle, compared to 919,000 fed by or for packers themselves.

Therefore, during 1961, packers, their owners, officers and employees fed 9% of the fed cattle marketed from 39 states, and this still does not include non-reporting subsidiaries and affiliates of packing firms.

Assuming that the trend for owners, officers and employees has been comparable to that for packing firms (about 38% of the number fed by the firms themselves), the year 1964 would add to a total of 1,551,000 cattle fed, or 9% of total fed marketings from the 39 states. Or, figured another way, assuming that the percentage of the total fed marketings fed by the owners, officers and employees has remained about constant since 1961 (as is true for the packing firms themselves), the resultant is still 9% of total fed marketings.

Therefore, it would be logical—and a conservative estimate—to conclude that packers, their affiliates and subsidiaries and owners, officers, and employees are feeding over 10% of the fed cattle being marketed, based on past history.

To give a benchmark for comparison, during 1964, Iowa, the nation's largest cattle feeding state, marketed 2,969,000 head of fed cattle. Thus, based on the above estimate, the number of cattle fed by packers, their subsidiaries and affiliates, and owners, officers and employees during that year amounted to well over one half of all the fed cattle marketed from Iowa. (Total 1964 fed cattle marketings were 17,295,000 head.)

But, more important to the influence exerted on prices is the fact that in certain geographic areas and locations, packers, and certain firms in particular, greatly exceed their national share of cattle fed. Also, many packers whose slaughter volume may appear to be insignificant, when viewed nationally, are a much more powerful price determining force in their own procurement territory; and, therefore, the extent of their captive supply of livestock may be a critical price-influencing factor.

As stated previously, in 1964, packers (not including their non-reporting subsidiaries and affiliates, or their officers, owners, and employees) fed 38% of the cattle fed in Washington 25% of those in Florida, and 22% of the numbers in Idaho. Surely, it cannot be argued that a group of firms having a captive supply of fed cattle amounting to from 20-40% of the total available within a given state do not have a measurable and a very substantial influence on price.

The feeding of hogs by packers remains relatively small when compared to total hog slaughter. Here again, however, as with cattle, a given local situation may be quite different from the national picture. For example, according to a news story in the March 13, 1966, issue of the Des Moines Register, the Rath Packing Company had entered into contractual arrangements for the feeding (and marketing to Rath) of around 16,000 hogs. Moves have been made from time to time to cast hog production in a contractual mold similar to that which

now exists on broilers. The hog arrangements by Rath are similar to the contractual procedure used for many years in the company's lamb feeding operations.

REASON WHY PACKERS FEED

The word "reason" is purposely written in the singular in the title of this section because, despite all of the carefully worded reasons given, meat packers feed livestock for only one purpose, namely, that of providing a hedge in buying livestock from producers and feeders. Supply protection in the procurement of livestock immediately becomes a price hedge.

Various reasons have been advanced to justify packer feeding. All, except perhaps the argument that numbers being fed are small and of no real consequence, are variations of old, trite "supply song": packers need to feed to have numbers and/or kinds available when they are needed; their feeding operations are a supply hedge not a price hedge.

This argument generally breaks down into 4 areas: (1) livestock deficient areas—need to feed to assure a supply; (2) the irregularity of market receipts or numbers being offered for sale prompt feeding; (3) need cattle for Monday morning kill; and (4) feeders have not been responsive to the demands of the market, therefore, packers must feed in order to have specific kinds needed. Let's look at these arguments separately.

(1) Deficient livestock supplies is a weak argument: If it is profitable for the packer to feed in a given area, it would be profitable for someone else to do it, also. The packer can always import the livestock needed from exporting feeding areas (we're glad to send fed livestock from the Midwest to any destination!). It is also sometimes argued that the specific kind or class needed is not fed in the area, or not in the volume needed. Again, if the packer is willing to pay the price, someone else will furnish his needs—*therefore, it still comes back to a question of price and hedging price.*

(2) The irregularity-of-receipts argument has been used for years. If there ever was any validity to it, there certainly is not now. In 1964, according to P & S figures, packers purchased 63.5% of their cattle, 81.2% of their calves, 76.2% of their hogs, and 71.4% of their sheep and lambs away from terminal markets, where the problem of irregular daily receipts exists; also, they bought 44.6% of their cattle, 31.7% of their calves, 63.1% of their hogs and 57.7% of their sheep and lambs other than at public markets of any kind. Any packer can buy the number of livestock needed any day of the week (subject, of course, to the limits of the over-all supply). Livestock will be offered and sold to him any time he is willing to pay the necessary price.

(3) The Monday-morning-kill argument is as outdated as the Model T Ford. Packers' current buying practices and the source of their purchases just do not verify such an argument. The packer can buy livestock during late week, including Saturday (and perhaps even Sunday), and can move these Sunday night or early Monday morning, or at whatever time coincides with the necessary arrival time for the Monday morning kill.

(4) Feeders not responsive to the demands of the market: This kind of an argument sounds good on the surface, particularly, from a technical and academic standpoint (on paper). It can be argued, with some validity, that feeders (and perhaps farmers in general) have sometimes not been as responsive as they should be to the demands of the market—have produced what they wanted to and expected the market to take it, and have been slow in adjusting to the changes that seemed obvious at the consumer level. However, the facts of the case do not bear out that packers have gone into the feeding business for this reason. Anyone who has seen the livestock being fed by packers knows that their feeding practices do not back up this kind of argument. The animals, for example, which are custom fed are, for the most part, fed side by side with those owned by feeders and others—are not better animals to start with, nor are they fed any differently from those owned by feeders.

PACKER FEEDING UNDERMINES MARKET PRICE SYSTEM

Packer feeding undermines the market price system by actively engaging packers in the segment of the industry from which they buy. The market price determination mechanism has long been a bulwark to the organization of agriculture and its thousands of independent producers. This applies to meat animals in particular.

The great virtue of the commodity price system is its impersonal nature and its built-in protection of the independence of each individual producer and firm. As long as there is no collusion or monopoly, each seller enjoys the protection of being able to deal with more than one of several possible buyers.

STATEMENT OF POSITION

The membership of this Association is already on record with the Subcommittee with respect to its position on packer feeding. The resolution adopted at the 1966 Annual Business Meeting was included in the statement presented at the Des Moines, Iowa hearings last April. It is restated here for the convenience of any committee member who wishes to refer to it.

"PACKER AND PROCESSOR FEEDING OF LIVESTOCK"

"The National Livestock Feeders Association looks upon the practice of packer and processor feeding of livestock as being an extremely unhealthy and detrimental activity to the preservation of maximum competition for fed livestock and for the opportunity of private individuals and concerns engaged in the livestock feeding business.

"The Association further believes that such practice of packers and processors can and does offer advantage to packers and processors in the purchase of fed livestock to a degree which does have a depressing effect on the live price level.

"Since we disagree with the contention that packer and processor feeding is being used solely to hedge supply and/or provide cattle of certain quality and weight to meet rigid specifications; and

"Since this supply hedge immediately becomes a price hedge, thus providing the undue advantage to packers and processors in the purchase of live animals, an advantage that cannot be realized by the livestock feeders themselves;

"*Be it Resolved*, That the National Livestock Feeders Association again registers its strong objection and opposition to the continuation of the practice of livestock feeding by packers and processors, and further declares it will use all its influence and resources to the utmost degree in an effort to cause the practice of feeding livestock by packers and processors to be discontinued."

Special Instructions of Membership: In an official communique to the Board of Directors in connection with the above resolution, the Association members instructed the Board that the policy adopted is "... not necessarily a declaration to seek or support legislation that would prohibit this practice."

Opposition Not to Packer Feeding, Per Se: Because of previous misunderstanding, on the part of the news media and others, as a result of talking in terms of opposing packer feeding, we want to be sure to clarify the position of this Association and its members. Our concern does not stem from fear of competition in the feedlot, or a desire to be insulated from such competition from packers or to bar persons and firms from entering a given business. In short, our members do not oppose packer feeding, per se. They can and will compete with packers "any day in the week" when it comes to feeding livestock.

Rather, our concern stems from the influence on prices and the degree of market control which a captive supply of livestock affords packers—the only purchasers of slaughter livestock we have. Any packer who can draw on his own supply of livestock on feed can use that supply as a bargaining device in bidding on and buying other livestock, whether he actually pulls them in or not—can use the same supply over and over again in this manner. Packers can thereby exert considerable influence on prices. This also applies to a given packer, especially if his buying is concentrated in given areas and if alternative outlets are limited. Integration of this nature becomes an instrument of power—market and pricing power.

Our objection to packer feeding, as described here, is supported by the Federal Trade Commission's investigation and the litigation which led to the issuance of the Consent Decree in 1920 against Armour, Swift, Wilson, Cudahy, and Morris, and to the enactment of the Packers and Stockyards Act by the Congress in 1921. In fact, packer feeding of livestock can afford even greater price and market control than the "backward" control into livestock marketing prohibited by the Consent Decree.

Current Position on Prohibitive Legislation (H.R. 12115): We are now acting under current instructions from our people to "urge and initiate amendments to the Packers and Stockyards Act that would make it unlawful for meat packers to engage in any activity that unduly influences prices, and pursue this avenue

along with others to discourage packer feeding, but to hold prohibitive legislation in abeyance as a last resort in the solution of the problem."

In other words, our people are not ready at this point to encourage or support the passage of prohibitive legislation. However, we want to emphasize that provision has been made in Association policy for doing so as a last resort if, in the final analysis, this proves to be the only route which can be taken to curtail the practice and to remove the threat of undue price influence and market control.

We are sure our people will want to have an opportunity to study the results of the packer feeding study now being conducted by the Packers and Stockyards Division and to review the more up-to-date figures on feeding activity, as soon as they become available, before again considering whether or not the urgency of the situation justifies prohibitive legislation.

OTHER ALTERNATIVES

Action under Section 202(e), Title II: Section 202(e), Title II, of the Packers and Stockyards Act prohibits packers from "engaging in any course of business for the purpose or with the effect of manipulating or controlling prices." As stated in our testimony at Des Moines, the Association has conferred with the Packers and Stockyards Division with reference to taking action against packers whose feeding operations afford them price and market influence. In accordance with our previous statement, Department officials have been reluctant to proceed, in the case of packer feeding, because it is felt the language may not be sufficiently specific.

The Association proceeded, therefore, to prepare a short amendment to Section 202(e) to assure authority to move against a packer whose feeding activities allow him to exert an undue influence on livestock prices. Said amendment has been introduced by the Honorable Clair Callan of Nebraska, and is known as H.R. 15461.

H.R. 15461 would add the words "unduly influencing" to the prohibition against manipulating or controlling prices.

We think it is fair to tell the Subcommittee that objections have been raised to this avenue of approach on the basis that it would involve case-by-case enforcement which would be burdensome to the regulatory agency and likely be protracted. It is said that detailed and costly investigations would be necessary in connection with such proceedings and that any attempt by the Secretary to invoke restrictive action of this kind would, no doubt, be carried to the Supreme Court, at least in the first instance.

If it were necessary to litigate each instance in which livestock feeding by packers has conferred market leverage resulting in price influence, manipulating or control, these shortcomings would have to be considered valid. However, we do not envision that this would be the resultant. We have found packers to be respectful of any provision of the Act which they are certain will be enforced against them. Admittedly, it might be necessary to fully litigate one test case, but, if so, the resulting decision should serve as a guideline that would be respected in all other instances and by all packing firms.

Restriction on Livestock Used Rather Than on Feeding: Since it is really the influence on prices and the degree of market control (locally and nationally) that concerns us, perhaps restricting the extent to which a packer can use livestock fed by or for him as a captive supply for his slaughter operations would constitute a logical avenue of solution of the problem.

If a packer, his subsidiaries and affiliates, or officers, directors, owners and large stockholders would put their livestock on the open market, it would be an entirely different story from being able to use them as a leverage against needed purchases for the packing plant. Such an avenue of approach would avoid legislating anyone in or out of the feeding business, an action which is not fully in harmony with the concept of free enterprise and one of the main objections voiced to legislation limiting feeding. Also, this would allow experimental feeding by packers, or by their subsidiaries and affiliates, and provide operating freedom for officers, directors, owners and major stockholders.

However, before making any official recommendations along this line, on behalf of the Association, it will be necessary to submit this kind of proposal to our people for their deliberation and action.

Off hand, it might provide for an effective and practical procedure to make all packers (slaughters), who are now required to report to the Packers and Stockyards Division, subject to the restrictions; permit only a given percentage

of the number slaughtered at any one location in any given week to be livestock fed by or for the packer, subject to a maximum number above which no establishment or plant could go.

The percentage allowance subject to a realistic maximum would be preferable, in our judgment, to a provision for a specific absolute maximum applicable to all plants, or to a straight percentage of the kill without reference to a maximum cutoff number.

Only Three Alternatives For Feeders: Under the circumstances, as we see the situation, feeders have only three alternatives in seeking protection from the threat of undue price influence and market control resulting from packer feeding: (1) Legislation—(a) requiring slaughterers to discontinue, or at least curtail, feeding operations and compete in the market for their supplies, or (b) restricting the use of livestock fed as a captive supply to hedge price in purchasing from producers and feeders; (2) encourage third parties to provide custom slaughtering, and perhaps selling service to feeders on any agency basis; or (3) actually enter the slaughtering business themselves.

FEEDERS GOING INTO PACKING BUSINESS

A very few feeders have followed the latter course of action listed above, namely, that of entering the packing business. The question is often raised, therefore, that if packers should not be allowed to go into the feeding business, shouldn't the converse apply to feeders going into the packing business. Even though it may seem so on the surface, the two do not present comparable situations at all. But, before going into that, let us again emphasize that our objection to packer feeding is not to feeding, per se, but rather, to the degree of price influence and market control afforded a packer by having a captive livestock supply.

Under the circumstances existing today, the impact on the economic structure and the market pricing system of the industry is vastly different for feeders going into the packing business than that which results from packers feeding their own livestock, because: (1) the economic structure of the two segments is greatly different; and (2) the opportunity to exert unfair and undue influence on prices does not exist for the feeder.

On the first point, feeding enterprises, for the most part, are owned and operated by individuals and most are of a size which precludes them from having any appreciable influence on either supply or price, even in their local areas. The same is not true of the packing segment. According to the Packers and Stockyards Division, packers whose gross sales exceed \$1,000,000 account for approximately 98% of all the livestock slaughtered and constitute about 40% of all slaughterers. These large packers are also the ones who are engaged in feeding operations. To illustrate, they fed approximately 97% of the cattle fed by or for packers in 1964.

Even the so-called small packers are "big business" in terms of either volume of livestock handled or dollar volume of business, when compared to most feeding enterprises; also, the packing segment is made up of many large firms. Therefore, industry influence or market power simply does not exist for the feeder in the same terms as for most packers. Even small packers, and especially those located away from a major livestock market, are often in a position to exert substantial market influence in their local areas, with respect to the purchase of livestock.

With regard to second point named above, if a feeder, or even a group of feeders, buys stock in a packing plant, this in itself does not put him or them in a position to exert control or undue influence on the market—either the live or the dressed market. Or, let's take the case of the feeder who actually slaughters some, or all, of the livestock he feeds—or has it done for him—and then sells the carcasses. This puts him in competition with the packer in the dressed trade, but it is competition on an equitable basis; the feeder has no means of exerting undue control in the dressed trade.

On the live end, the feeder's livestock would not then be available for the packer to buy, but this would not force the packer to pay higher prices for the livestock he purchases because most packers have sufficient sources to preclude this kind of price influence.

Let us hasten to add, however, that should the time come when feeders going into the packing business could exert adverse influence on packers comparable to that which packers can now exert on feeders by feeding their own livestock, we would have to agree that "what is sauce for the goose is also sauce for the gander."

NOTE.—The Packers and Stockyards Division, USDA, constitutes the source of all the figures used in this statement, with the exception of those indicated as our estimates on fed lambs.

Retail food chains who carry on slaughtering activities are classed as packers under the P & S definition and are included in the figures used in this statement. The total numbers being fed by retail food chains are rather insignificant in the total over-all picture.

Mr. POAGE. Now, that completes all of the witnesses who requested a hearing except Mr. Davies of the American Meat Institute who very considerably suggested that if he didn't have time he would file a statement, and without objection his statement will be made a part of the record and we do want you to understand, Mr. Davies, the committee appreciates your forbearance and cooperation.

(The document referred to follows:)

STATEMENT OF ALED P. DAVIS, VICE PRESIDENT, AMERICAN MEAT INSTITUTE

My name is Aled P. Davies. I am vice president of the American Meat Institute, national trade association of the meat packing industry. We appreciate this opportunity to submit our views on H.R. 12115 and similar bills. This proposed legislation would amend the Packers and Stockyards Act by prohibiting meat packers with annual sales of more than \$1 million from engaging in the business of feeding livestock. AMI has more than 375 regular members engaged in meat packing and processing. Our members do business in all of the 50 States. They range in size from the very small local concerns to the large national organizations. The proposed amendment to the P. & S. Act would affect virtually all of them. A meat packing company with annual sales of \$1 million is not a large company. Over a period of 40 years average earnings in this industry have amounted to less than one per cent on sales; hence, a company with \$1 million in gross sales, if it is an average company, would have annual profits of only about \$10,000.

The proposed legislation would prohibit packers (as defined by the Packers and Stockyards Act) from engaging in the business of feeding livestock. The prohibition would apply to livestock fed for packers by contract. It would also apply to officers, directors, or owners of more than five per cent of the stock of a packing company with annual sales of more than \$1 million. Because of the manner in which the definition of a packer is phrased in the Packers and Stockyards Act, the prohibition would apply to some companies primarily in the retail food business. It would apply to farmer cooperatives that engage in meat packing or processing. It would apply to bankers, businessmen, farmers or anyone who might sit on the board of directors of a meat packing company or own five per cent of the stock. In short, it would attempt to build a fence around the business of livestock feeding by excluding most persons having even remote connections with meat packing or processing.

Our comments on this bill will be under two general categories. First, we would like to discuss the principle involved in legislation of this type, and second, we have some facts to present specifically concerning the feeding of livestock by meat packing companies.

THE PRINCIPLE

It is a widely recognized principle of constitutional law that the right to pursue a lawful calling, business or profession cannot be arbitrarily taken away by statute. Attempts to prohibit persons from engaging in ordinary businesses or to impose unreasonable conditions on the right to engage in such a business have been found by the courts to be invalid because in violation of the 5th and 14th Amendments to the Federal Constitution. *Lasdon v. Hallihan* (1941), 36 N.E. 2d 227, 377 Ill. 187; *New City Ice Co. v. Liebmann* (1932), 52 S. Ct. 371, 285 U.S. 262, 76 L. Ed. 747. At the same time, the cases recognize that government has the power and the duty to regulate businesses and professions for the protection of society. If there is anything about livestock feeding that sets it apart and distinguishes it from other ordinary occupation, it has not yet been pointed out to us, nor are we aware of any need of society that would be served by reserving the business of livestock feeding to certain groups and prohibiting other groups from engaging in it.

The statement has been made that "the whole purpose of this legislation is to help assure farmers that they can sell their livestock on a market that is open and competitive and is based on supply and demand." So far as regulation is concerned, we submit that the meat packing industry, the target of this proposed legislation, is already subject to strict regulation under the Packers and Stockyards Act. Section 202 of that Act provides:

"It shall be unlawful with respect to livestock, meats, meat food products, livestock products in unmanufactured form, poultry, or poultry products for any packer or any live poultry dealer or handler to: (a) Engage in or use any unfair, unjustly discriminatory, or deceptive practice or device in commerce; or . . . (e) Engage in any course of business or do any act for the purpose or with the effect of manipulating or controlling prices in commerce, or of creating a monopoly in the acquisition of, buying, selling, or dealing in any article in commerce, or of restraining commerce . . ."

If the purpose is, as stated, to assure open and competitive markets, what could be wrong with a statute that is couched in terms of maintaining free and open competition? We fail to understand what is free and open about arbitrarily prohibiting certain lines of business to certain groups of people. We have heard this approach referred to as the "caste system" of regulation, meaning that under the principle espoused by H.R. 12115 if a person were born into a certain type of business he would be compelled to stay there and would not be permitted to cross the line. We would suppose that the packing plant workers would have just as much reason to complain about farmers seeking employment in the meat industry during slack seasons on the farm. We do not intend to suggest that farmers ought to be prohibited from working in packing plants. We have every reason to believe that the yare good workers and are welcomed by the industry. Nevertheless, it may be true that in certain areas at certain times they reduce employment opportunities for those who make the meat industry their sole career. We appreciate the fact that the two situations are not exactly comparable. We simply want to make the point that in this country a good deal of importance has been attached to individual freedom, and the government has not found it desirable to tell its citizens what occupations they must follow or what occupations they may not follow.

EXTENT OF PACKER FEEDING

The principal source of statistics indicating the extent of packer livestock feeding is the Packers and Stockyards Division of the U.S. Department of Agriculture. Figures compiled by P & S and published November 26, 1965 show that in the 1964 calendar year cattle fed by meat packing companies accounted for 3.4 per cent of the commercial cattle slaughter and 6.5 per cent of the fed cattle marketed in the 39 states for which records are available. Packer feeding of sheep amounted to 5.9 per cent in 1964. Government reports indicate that packers feed relatively few hogs. This is a generally recognized fact.

Most packer feeding is concentrated in the West and Southwest, with relatively little in the Corn Belt. Nearly half of the total in 1964 was in three states: California, Texas, and Washington. Other Western states with considerable packer feeding are Arizona, Idaho, and Colorado. Together the six states accounted for two-thirds of all packer feeding in 1964. Nebraska and Kansas on the extreme western edge are the only Corn Belt states with any significant amount of packer feeding. In 1964, the 67,000 packer-fed cattle in Nebraska amounted to 2.7 per cent of fed marketings that totaled 2,436,000 head. In Kansas, the number was 65,000 out of 686,000, or 9.5 per cent of fed marketings.

In the central Corn Belt states the figures for 1964 were:

State	Number of cattle fed by and for packers	Total fed marketings	Percent of fed cattle marketings
Iowa.....	15,800	2,969,000	0.5
Illinois.....	8,500	1,240,000	.7
Missouri.....	13,400	496,000	2.7
Minnesota.....	12,400	703,000	1.8

WHY PACKERS FEED LIVESTOCK

Meat packing companies feed livestock for two principal reasons: 1. To assure an adequate supply for the maintenance of slaughter operations on an economic basis. 2. To meet the need for product conforming to strict specifications. If a packer were motivated by the desire to make a profit on feeding, we would not see anything wrong with that, but the fact is that the great majority of packers do not view feeding as a profit-making enterprise. To a very considerable extent, packers hedge their feeding operations by selling cattle futures, automatically taking profit out of the operation, but still permitting it to function as a source for needed supplies.

On this point, a continuing, dependable supply of livestock is a factor of major significance in the operation of a meat packing company. With the typically narrow margins that prevail in this industry a processor must have volume to survive. The ever-growing need for more livestock that has compelled certain packers in certain areas to resort to feeding has also resulted in a vigorous type of competition that has been helpful to producers. Historically, the meat packing industry has been dependent on volume. This characteristic led some packers to establish feeding operations before the rise of the feeding industry in the Western and Southwestern states following World War II. Without such packer feeding, some areas of the country undoubtedly would have attracted insufficient processing facilities to meet consumer needs, and the overall market for livestock in the particular regions would have been less competitive. Even today in areas contiguous to terminal markets at certain seasons of the year livestock supplies are not adequate and need to be supplemented by packer feeding.

As the meat packing industry has decentralized in recent times, plants have been established where existing livestock supplies are marginal, though there is hope of increases over the years. Some of these locations have an adequate supply for part of the year and "dry spells" at other seasons. In such areas packers have typically taken a number of steps to increase livestock production, including, where necessary, either establishing a feedlot operated by the company or purchasing cattle to be custom fed by someone else and to come to market when sufficient livestock to run the plant would not otherwise be available. It should be recognized that meat packers compete nationally not only in the sale of meat and meat products but also in the purchase of livestock. Producers sometimes respond that packers do not need to feed cattle—all they have to do is bid a price high enough to get them. This might be true if one were to ignore the fact that for a packing plant to exist today it must be competitive—not just regionally but nationally—with all other producers of dressed beef. It is a recognized fact that dressed meat can be moved cheaper than live cattle, thus having a supply of suitable cattle locally is a necessity for maintaining a competitive position. Therefore, it is also a fact that certain packing plants in certain areas could not continue to exist if they were not permitted to feed cattle at least during certain periods of the year.

Contributing to the packer's pressing need for volume is the 36-hour guaranteed work week that prevails throughout most of the industry. After a crew has been called in it must be paid for a 36-hour week whether or not the work is actually performed. Since no one can afford to pay for very much time not worked, the packer is under real pressure to obtain supplies to keep his plant in operation when livestock marketings are at a low level.

The problem of dependable supply affects the selling side of the packing business as much as the production side, if not more so. On the production side, skimpy supplies may lead to greatly increased costs and a resulting inability to operate on a profitable basis. On the selling side, a packer must have an ample supply of the right kind of product to meet the needs of major retailers or let his competitors take over his business. In today's volume markets, a packer must be a continuous supplier or face the necessity of regaining the confidence of his customers after having had to drop out of the market. To the degree that the packer can use his own feedlot or custom feeding to move counter to the regional seasonal patterns of fed cattle marketings, he can be in a better position to serve his customers and maintain his place as a regular supplier.

Turning to the problem of meeting buyer specifications, it is common knowledge that the volume retail merchandisers of meat today rely on strict, carefully drawn specifications to obtain the type of product that has found acceptance with their customers. This in turn makes it mandatory for the packer to be equally exacting in his purchases of livestock—to obtain the type, weight and finish that

experience has shown will meet the demands of the supermarket trade. The rise of supermarket retailing in fact has been responsible in large part for the boom in the livestock feeding industry. In 1946 fewer than 6 million cattle were put through feedlots compared to 17.3 million in 1964.

Much of the feeding done by packers was inaugurated and has continued in order to assure a desired type of product when otherwise it would be in short supply or not available. Packer feeding is predominantly organized on the basis of when the livestock will come out of the feedlot, rather than when they go in. Given the kind of market in which he has to sell, the packer must anticipate his needs far enough ahead to have supply when he needs it. Even in a heavy feeding state like California, the fed-cattle marketings are not uniform through the year. The spring months are characteristically short of supply, even though at other seasons some fed beef may move out of the state.

A good deal of the criticism that has been directed at packer livestock feeding has emphasized the effect it is said to have on farmer feeders. Some farmer feeders may be operating at a disadvantage. However, it does not follow that packer feeding and the competitive disadvantage in which some farmer feeders find themselves have a cause and effect relationship. The meat processing industry is quite concerned about some apparent trends in livestock production. It appears to be true that the general farmer is less interested in raising livestock than he used to be. For example, the 1964 Census of Agriculture shows that in Iowa the number of farms classified as "cash grain" operations increased 18 per cent from 1959 to 1964, while those classed as "livestock farms" dropped 25 per cent.

It would be possible to do a great deal of theorizing about the reasons for this trend, but one needs only to look at developments in hog raising to be convinced that packer feeding has had nothing to do with it. In the Corn Belt states, which account for three-fourths of the nation's hog production, there were one-third fewer farms raising hogs in 1964 than in 1959. Packers do not raise or feed hogs in any substantial number so obviously their activities were not a causal factor in so many farm decisions to get out of the hog business. We cite these facts simply to suggest that while farmer feeders may have had their problems, so have the packers in obtaining necessary supplies. We do not want to be in the position of telling others how they should run their business, but we believe that most feeders—whether farmer, commercial or packer—who have adapted to the changing demands of large volume, specification merchandising will have little reason to seek any kind of government protection.

We do believe that some of the farmer feeders have not adjusted to the changing nature of the business as well as some commercial operators. The commercial operator may be more prone to market his livestock when it reaches the desired weight and finish and depend on the continuity of operations to smooth out the effects of market variations. The farmer feeder, if he thinks the market is too low, may hold his livestock longer than desirable and then send them to market when they are too heavy and too highly finished to be merchandised to best advantage. Most commercial feeders treat all their cattle for grub control. All too many farmer feeders do not, with the result of heavy trimming losses to the packer and a failure of many carcasses to be acceptable to major distributive accounts.

An interesting aspect to the issue of packer feeding is the question of whether a person who historically was engaged in the packing business and then found it desirable to do some feeding of livestock should be regarded any differently than the person who historically was a farmer or cattle feeder and then decided he might improve his profit picture by developing a meat packing business. Last spring the Des Moines Register listed some of the individuals in Iowa who feed livestock and who in addition are identified with meat packing companies as owners, officers and directors. These persons included the past president of the Iowa Farm Bureau Federation. In most cases, the individuals were persons who were primarily farmers and who later had become associated in one way or another with a packing company. If the bill were to pass, these persons apparently would be in violation of the law.

To summarize, we have suggested some of the reasons why meat packers feed livestock. As indicated, the amount of packer feeding is very limited, but we would not want our testimony to be interpreted as saying that the only reason packer feeding is all right is that there is so little of it. The producers of livestock determine how much will be raised, and meat packers compete for it. For slaughter cattle, they compete with other meat packers. For feeder stock they compete with others interested in feeding. It is our belief that this competition is good for the meat and livestock industry.

Regardless of who purchases the livestock produced by the rancher, the fed animals will be ready for market at about the same time. The small amount of packer fed livestock will be going to slaughter at about the same time it would if owned by a farmer feeder, and there is little a packer can do to affect livestock prices by marketing earlier or later. If price manipulation is taking place, the facts should be brought to the attention of the Department of Agriculture for appropriate action under the Packers and Stockyards Act.

Finally, it is our opinion that this proposed legislation is wrong in principle. During and following World War II, a number of companies primarily in the retail food business found it to their advantage to open their own slaughtering and processing businesses. Some of them still do a limited amount of processing. We think some of them have discovered that there are problems associated with processing, and would just as soon leave that end of the business to the specialists. When the day comes that livestock feeders can perform their function so efficiently that packers need not worry about getting an adequate supply of the kind of animals they require, we suspect the majority of packers will be more than willing to let someone else handle the feeding end. But this does not mean that any type of ordinary business should be prohibited to any group of persons. Legislation of this type would be contrary to our traditional notions of individual freedom, and if it were passed we believe it would be found unconstitutional. We urge that H.R. 12115 be tabled by the Committee on Agriculture.

Mr. DAVIES. Off the record, Mr. Chairman.

(Discussion off the record.)

Mrs. MAY. Mr. Chairman, may I ask unanimous consent to insert in the record a letter to the members of the committee on this legislation from the American Farm Bureau?

Mr. POAGE. Well, that is on the record and without objection it will be included in the record.

(The letter referred to follows:)

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., September 29, 1966.

HON. W. R. POAGE,
Chairman, Livestock and Feed Grains Subcommittee, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN POAGE: Farm Bureau feels there is very little, if any, need for meat packers or retailers to feed livestock to supply their needs. Farmers and ranchers on an individual basis, or working together, have the knowledge and can obtain the necessary finances to produce, feed and market all the livestock of the desired weights and grades needed by both packers and retailers where the market price is permitted to guide production of such livestock.

We recognize that in some areas and during certain seasons of the year packers find it difficult to obtain the kind and quantity of livestock needed to supply their retail customers. We are confident, however, that this problem could be solved to a large extent if they would contract with farmers and ranchers for the production and delivery of such livestock. This would tend to stabilize both supplies and prices of livestock.

Farm Bureau does not believe that it is either necessary or desirable at this time to enact legislation to prohibit meat packers or retailers from engaging in livestock feeding operations, as proposed in H.R. 12115, or to enter into any business they might choose regardless of their size.

To prohibit meat packers and retailers from contracting for their needs would restrict opportunities for farmers and ranchers to obtain fair and reasonable prices for livestock by engaging in bargaining efforts as individuals or through organizations. Such a prohibition would close one of the most important avenues available for the improvement of the present livestock marketing system. It certainly would be contrary to Farm Bureau's efforts in the marketing field.

The Federal Trade Commission and the Department of Justice have authority under present laws to deal with monopoly and restrictive practices which might be engaged in by packers, retailers, or farmers and ranchers.

Any attempt to direct the way that livestock should be produced or marketed by legislation is unsound and would be detrimental not only to the livestock producers and feeders of the United States, but to consumers as well. No nation on earth is as well supplied with wholesome meat and meat products and at

reasonable prices as is the United States. Why should we destroy this achievement?

We would appreciate it if you would make this letter a part of the hearing record on H.R. 12115.

Sincerely yours,

JOHN C. LYNN,
Legislative Director.

(The following was received for the record:)

TEXAS AND SOUTHWESTERN CATTLE RAISERS ASSOCIATION,
Fort Worth, Tex., September 30, 1966.

HON. W. R. POAGE,
*House Office Building,
Washington, D.C.*

DEAR CONGRESSMAN: We understand that the House Sub-Committee on Livestock and Feed Grains will be holding hearings this coming week on H.R. 12115. Legislation which would restrict the participation in any phase of the cattle business by specific groups or individuals is not in the best interest of the livestock industry or any other segment of our society.

I would like to call to your attention a resolution adopted by the membership of Texas and Southwestern Cattle Raisers Association at their 89th annual meeting in Fort Worth, March, 1966.

"Whereas, the livestock industry of the country has developed under the free enterprise system; and

"Whereas, restriction on participation in the cattle business has never been advocated by the industry; and

"Whereas, legislation has been introduced in the House of Representatives of the 89th Congress which would restrict the feeding of livestock by livestock packers and packer officials: Therefore, be it

"Resolved, That the Texas and Southwestern Cattle Raisers Association go on record opposing House Resolution 12115 and other legislation which would restrict livestock feeding by specific groups or individuals."

We would appreciate your including in the hearing records the above resolution.

With highest personal regards and appreciation for your attention to this matter, I am,

Sincerely your friend,

BEN H. CARPENTER, *President.*

Mr. DOLE. Mr. Chairman, I merely want to compliment Don for a very fine analytical and a very carefully prepared statement. I regret we did not have time to get into an exchange.

Mr. MAGDANZ. Thank you, Mr. Dole. I appreciate those kind remarks. We have spent a lot of time not only in the preparation of this statement but in studying the problem at hand.

Mr. POAGE. We have had some very good statements this morning. We don't have time to go any further. The committee will stand adjourned and the full committee will meet tomorrow morning at 10 o'clock in this room in executive session.

(Whereupon, at 11:15 a.m. the subcommittee adjourned.)



