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# TOBACCO

## Loose Leaf and Acreage Allotments

GOVERNMENT

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### HEARING BEFORE THE SUBCOMMITTEE ON TOBACCO OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-NINTH CONGRESS

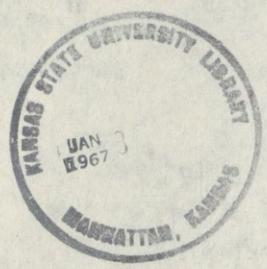
SECOND SESSION

OCTOBER 14, 1966  
RALEIGH, N.C.

Serial CCC

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TOBACCO

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TOBACCO  
Loose Leaf and Acreage Allotments

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FRIDAY, OCTOBER 14, 1966

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON TOBACCO  
OF THE COMMITTEE ON AGRICULTURE,  
*Raleigh, N.C.*

The subcommittee met, pursuant to notice, at 2:15 p.m. in the auditorium, State highway department building, Hon. Harold D. Cooley (chairman of the full committee) presiding.

Present: Representatives Cooley (chairman) and McMillan.

Also present: Representative Hagan of Georgia; Christine S. Gallagher, clerk; and Harker Stanton, counsel.

The CHAIRMAN. Ladies and gentlemen. In opening this meeting, I want to make a brief statement. I have received numerous communications concerning the subjects that will be discussed here today, and I have decided to have a small subcommittee of the Committee on Agriculture come here for the purpose of providing a forum in which all interested parties will be given an opportunity to participate and present their views.

We have with us the official reporter of the Committee on Agriculture, and I have my distinguished colleague Mr. John McMillan, from South Carolina, in whose district I think all of the South Carolina tobacco is grown, here with me. We also have the official clerk of the committee, Mrs. Christine Gallagher, with us, who is known to many of you.

As I said, the purposes of this hearing is to provide a forum, an opportunity to be heard on these subjects. We want everybody to be heard fully and forthrightly. I will say I have no preconceived ideas. I am not advocating anything. I am here just to listen and to learn. I am quite sure that Mr. Abbitt, the chairman of the Subcommittee on Tobacco of our House Committee on Agriculture, is disappointed that he could not be here for these hearings because the planes were overflying Washington and, therefore, it was not possible for him to be here in time for the hearing.

Mr. McMillan from South Carolina has been attending to a little official business, and I have been trying to attend to a little official business here, and for that reason I have not had a chance to visit the markets, as I usually do. I am here to have this meeting so everyone who wants to be heard may be heard.

I have a list of witnesses which have been made up. If anyone else wants to be heard and will give the clerk his name, we certainly will provide an opportunity for you to be heard. If anyone wants to provide a statement for the record, they may turn in that statement

to the reporter or to Mrs. Gallagher, and it will be made a part of the record.

I have some statements here that I will include in the record later, and two telegrams which I will insert in the record at this point.

(The telegrams referred to follow:)

WASHINGTON, D.C.  
October 14, 1966.

HON. HAROLD D. COOLEY,  
Raleigh, N.C.:

Regret matter of great importance to my home area requires my presence in Washington today and cannot join you in Raleigh for tobacco hearing. I commend you for arranging this hearing and I commend you and Hon. John L. McMillan of South Carolina for your presence there, despite all the pressures of business in Washington, to give our tobacco farmers opportunity through our committee to let the Congress know how they feel about a development that is of great importance to the tobacco program. Your constant vigilance and hard work with the help of those of us who have followed your leadership have made the tobacco program the best of all farm programs in cooperation with our farmers and the industry generally and we want to keep it that way. You are a great champion of the tobacco farmer. Johnny McMillan and I have worked side-by-side with you in every undertaking for the well-being of these farmers and their families and we shall continue this teamwork to deal with every threat against the successful operation of the tobacco program. Please relay this assurance to those assembled for the tobacco hearing today.

WATKINS M. ABBITT,  
Member of Congress.

WASHINGTON, D.C., October 14, 1966.

HON. HAROLD D. COOLEY,  
Raleigh, N.C.:

District prevent my sitting in with your committee today. However am extremely interested in subject matter of your hearing because of my concern for all our tobacco farmers. Consequently will be extremely interested in reading all of testimony taken and getting benefit of any findings and conclusions reached by the committee.

L. H. FOUNTAIN,  
Member of Congress.

Mr. COOLEY. Our first witness this morning is Mr. T. W. Allen, North Carolina State Grange, Creedmoor, N.C.

Will you come forward, Mr. Allen. We will be pleased to hear from you.

**STATEMENT OF T. W. ALLEN, NORTH CAROLINA STATE GRANGE,  
CREEDMOOR, N.C.**

Mr. ALLEN. Mr. Chairman and members of the subcommittee, we appreciate very much having this opportunity to appear before you and to express the views of the North Carolina State Grange. The resolutions I will read to you were passed this morning at 10 o'clock unanimously in the North Carolina State Grange.

It is our understanding that you are talking about two subjects, the sale of allotments and loose leaf, am I right or wrong?

The CHAIRMAN. That is right.

Mr. ALLEN. All right.

The North Carolina State Grange, after considering the pros and cons on the idea of the sale of tobacco allotments, passed this resolution:

The North Carolina State Grange opposes the sale of allotments and quotas and favors the continuation of the present lease and transfer program on an annual basis for flue-cured tobacco.

That was passed unanimously in the North Carolina State Grange.

I will read the recommendations adopted by the North Carolina State Grange today concerning the sale of looseleaf tobacco.

The shortage of farm labor and the narrow price margin which has prevailed between tied and untied leaf, has created a strong desire among growers to sell all of their crop untied. The N.C. State Grange recommends that the marketing regulations permit the unrestricted sale of untied tobacco just as soon as the crop can be handled in this form. We therefore recommend:

1. That the United States Department of Agriculture ascertain whether or not the domestic and export buyers are equipped to handle the 1967 crop in an orderly manner if the unrestricted sale of untied tobacco is permitted.

2. If it is found that some limitations on the sale of untied tobacco are necessary for the 1967 crop, then we recommend that each grower in the states of South Carolina, North Carolina, and Virginia be allocated a pro rata share of the looseleaf sales that will then be eligible for price supports so that all growers in these states will have an equal opportunity to share in the sale of untied tobacco.

In other words, we mean just a little bit plainer, that if the requirement permits the crop to be sold loose leaf, we recommend that each farmer be given 50 percent of the crop that will be eligible for price supports on the tobacco, so that we do away with this mad rush of getting to the market trying to sell untied tobacco.

3. That the markets in each belt within these three states be given an equal number of days for loose leaf sales to accommodate the marketing of untied tobacco in accordance with the rules adopted to facilitate the sale of untied leaf during the 1967 season.

Are there any questions, Mr. Chairman, that anyone wishes to ask? If so, I will be glad to attempt to answer.

The CHAIRMAN. Mr. McMillan?

Mr. McMILLAN. I certainly agree, Mr. Allen, that we must do something about this problem, and I think that it must be done immediately.

Mr. ALLEN. Absolutely.

Mr. McMILLAN. We cannot wait until January 1, if we are to do anything on this looseleaf program we must do it within the next month, I think, so that the exporters and everyone else will know just what to expect.

I know in my State it is one of the most important problems confronting the farmers today.

And we just cannot afford to truck 50 million pounds into North Carolina and Georgia each year.

Mr. ALLEN. We are with you. The Department of Agriculture in Washington, probably, already knows that and if they do not they can mighty easily find out what the services of a company has to handle untied tobacco. I understand they handled 400 million pounds this year. If they can handle more than that we are with it 100 percent. If they cannot, we do think that every farmer ought to be treated just alike, just as fair as can be in selling untied tobacco.

The CHAIRMAN. Thank you very much.

Mr. ALLEN. Thank you, gentlemen.

The CHAIRMAN. The next witness is Mr. Le Roy Simmons, North Carolina Farm Bureau Federation, Tobacco Subcommittee.

#### STATEMENT OF LEROY SIMMONS, TOBACCO SUBCOMMITTEE, NORTH CAROLINA FARM BUREAU FEDERATION

Mr. SIMMONS. Mr. Chairman and members of the subcommittee, ladies and gentlemen, I am Le Roy Simmons, of the North Carolina

Farm Bureau Tobacco Subcommittee. Mr. Chairman, this resolution that I am about to read is the position that we have had just almost 12 months ago. As all of you are familiar with the way that the Farm Bureau works, we start within the counties and come up. We realize that there has been a lot of water that has gone under the bridge in the last 12 months, and I am not saying for sure but what there may be some changes in our recommendations in the coming November. So that the following is what we recommended last November at our annual meeting.

We recommend that farmers be permitted to sell looseleaf tobacco on the same basis as in 1965 during 1966. Further, we recommend the extension of looseleaf sales and that looseleaf support prices be extended to all regular leaf support grades as rapidly as possible.

I will be glad to answer any questions.

The CHAIRMAN. We thank you very much for your statement.

Now I will call as the next witness Mr. David Sloan, the president of the South Carolina Farm Bureau Federation.

Give your name to the reporter.

#### STATEMENT OF E. G. WIGGINS, MARION, S.C.

Mr. WIGGINS. Mr. Chairman and members of the committee, Mr. Sloan cannot be here, he had another meeting to make.

Mr. Chairman and members of the subcommittee, as you know, the South Carolina Farm Bureau Federation has advocated as much loose leaf as possible over the last several years. We have not had our annual meeting this year. I will be like Mr. Simmons in stating in part what we recommended last year, but we did have a tobacco meeting just a few days ago and it was the feelings of the men on the committee that we want all of the looseleaf tobacco next year that the companies can handle. We feel like that if you will give us the opportunity to sell loose or tied and let the companies determine by what they pay which way we will prepare this tobacco. This year, you know, we received more money for loose than we did for tied. We think that this is an indication that the companies are ready to buy this tobacco loose; and, therefore, we would recommend that you give us all of the loose leaf you possibly can.

On the other subject of selling tobacco allotments, our tobacco committee, I think, is split on this subject. Our chairman would recommend not selling. We have some members on the board who very strongly favor it. As you know, industry is moving into the South quite rapidly. We have land that needs to go out of cultivation. And these people own this tobacco and it is very hard now for them to get a fair price for this acreage of tobacco under the present setup. If we were given the opportunity to sell this tobacco at a fair market price, I think, that it would help a lot of these boys.

Also, in the western part of our tobacco section in South Carolina, we have large farms with only a few acres of tobacco.

Now, with the minimum wages coming in, these boys will have a very hard time mechanizing with this small amount of tobacco acreage, and if they could sell their allotments it would help them very much. One man could purchase enough of these allotments so that he could afford to go buy the machinery as soon as it is available to gather this tobacco.

Thank you very much.

The CHAIRMAN. Mr. McMillan?

Mr. McMILLAN. Mr. Wiggins, is it not true that in South Carolina, the majority of the tobacco farmers sold their poorest grade tobacco in loose leaf and received a higher price for it? Is that what you mean?

Mr. WIGGINS. You mean to say for a higher dollar?

Mr. McMILLAN. Yes.

Mr. WIGGINS. At this time in South Carolina, they sell all the way up and down the stalk loose. We did not just sell the sorry tobacco—we sold some of all kinds. We got \$74 for it. And we turned around and tied it. However, it was hard to get \$74 a lot of the time. Any time you try to tie tobacco for 2 or 3 cents a pound, you are hitting your head against the wall, especially, when you go to minimum wages.

Mr. McMILLAN. During my campaign during the past 3 or 4 weeks, I have been over the district fairly thoroughly, and I have had people continuously and unanimously interested in this looseleaf tobacco subject. That is about the only subject that they wanted to discuss.

A majority of the farmers seem to want to place the tobacco on the floor tied or untied.

Mr. WIGGINS. Let the companies say. If they will pay enough for tied tobacco, they will get tied tobacco, but, as it was this year, they will get no tied tobacco.

Mr. McMILLAN. That is certainly the opinion, I think, of 95 percent of the farmers in South Carolina.

Mr. WIGGINS. We do not recommend just turning it a loose. No, we want to give every farmer the opportunity to do so, if he wants to tie his tobacco, and the companies want the tobacco tied, but let the dollars speak.

Mr. McMILLAN. They want the proper differential paid between tied and untied tobacco.

Mr. WIGGINS. The differential is what they want.

Mr. McMILLAN. Thank you.

The CHAIRMAN. Thank you very much.

Mr. WIGGINS. Thank you all very much.

The CHAIRMAN. We have a very busy man with us today, the Honorable James A. Graham, the best commissioner of agriculture in the whole United States of America. I would like to have him come around to be heard.

We welcome you, Mr. Commissioner.

Mr. GRAHAM. Mr. Chairman, we hope that a lot of other people feel the same way as you do.

I wish to make a statement before this Tobacco Subcommittee of the House Committee on Agriculture in its hearing in Raleigh on a very common and important subject in the minds of a lot of our people.

#### STATEMENT OF HON. JAMES A. GRAHAM, COMMISSIONER OF AGRICULTURE, STATE OF NORTH CAROLINA

Mr. GRAHAM. Mr. Chairman, and members of the subcommittee, the North Carolina Department of Agriculture, through its tobacco marketing specialists, has closely followed the 1966 Flue-cured marketing season in all belts from the beginning in the Georgia-Florida

area. The observations and analyses of the market thus far have focused attention on certain facts which are pertinent to this hearing called for the purpose of considering further extension of looseleaf sales in 1967.

First of all, it should be noted that growers have received record high prices during the 1966 season, and that even though prices have declined on several grades in recent weeks, growers are still receiving record prices for most all grades.

In analyzing this record market, it was observed that the strongest competition among buyers in each belt seemed to prevail during the 12 days of looseleaf sales. This is substantiated by the fact that stabilization receipts were practically nil during this period, plus the fact that many medium and low grades of primings, lugs, and smoking leaf sold untied brought \$1 to \$2 per hundred more than the same grades sold tied.

Furthermore, a comparison of grade prices between tied and untied tobacco through September 30 showed an average price differential of just slightly more than \$2 per hundred for tied tobacco. There were 348 million pounds of untied tobacco sold on markets outside the Georgia-Florida belt this year compared to approximately 100 million pounds in 1965. The big question is: Why did we have a 248-percent increase in the volume of loose leaves sold this year? There is only one answer to this question in any market, and that is: Market demand.

If the demand for untied tobacco had not been extremely good, growers would not have marketed as much loose leaf this season. So, the buyers themselves were responsible for the large volume of tobacco sold untied, and actually encouraged it by failing to pay growers a differential large enough to justify them to tie more tobacco.

Thus, it is recognized that the buying companies hold the key that will control the amount of untied tobacco that will move into the market. Therefore, based on these observations and facts, it is the opinion of the North Carolina Department of Agriculture that the burden of determining the amount of untied tobacco that the industry can use should be placed on the buying companies, and that growers should be given the option of selling their tobacco either tied or untied throughout the marketing season. This will relieve growers of the pressure of trying to market their untied tobacco in a limited number of days from one belt to another, and let them take their time in marketing in their own belt. Then all farmers will have an opportunity to sell their tobacco in the manner that will give them the greatest economic return on their own labor situation and market demand.

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

Mr. McMillan?

Mr. McMILLAN. I would like to state that I agree with the Commissioner 100 percent. But I feel certainly that he will agree with me that something should be done about this in the next 30 days or 2 months.

Mr. GRAHAM. Yes, sir.

Mr. McMILLAN. Immediately, so plans can be made before the selling season begins next July. Also before the Department of Agriculture makes their commitments to the exporters. I am sure that it is something that should be done. I hope that you will agree with me

that we should maybe have a longer selling season for some of the markets. That would relieve a little of this congestion we now have.

Mr. GRAHAM. Well, of course, it will, Mr. McMillan.

Of course, you have your weather conditions that create situations, but I agree with you.

Thank you, sir.

The CHAIRMAN. Thank you, again.

The next witness I will call is Mr. Elmer R. Daniel, president of the Nash County Farm Bureau.

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

#### STATEMENT OF ELMER R. DANIEL, PRESIDENT, NASH COUNTY FARM BUREAU

Mr. DANIEL. Mr. Chairman, members of the Tobacco Subcommittee, I am Elmer R. Daniel, president of Nash County Farm Bureau, Nashville, N.C., living in the Stanhope section of Nash County. This is the home county of our honorable chairman, Mr. Harold D. Cooley, of the House Committee on Agriculture.

We realize that the Flue-cured industry is faced with problems in connection with the marketing of looseleaf tobacco. Therefore, our Nash County Farm Bureau board of directors would like to make the following recommendations:

Sale of looseleaf tobacco: The Nash County Farm Bureau board of directors in session October 6, 1966, went on record as recommending that looseleaf sales be extended for next year and future years up to the optimum degree that the buying companies can effectively process it. This recommendation came as a result of a discussion of tobacco-producing problems by this group in which the following points were brought out:

1. The farm labor shortage no doubt will grow increasingly worse with a continuous decrease in farm population.
2. Minimum wage legislation to increase farm wages will further reduce farm labor.
3. The price differential between tied and loose leaf is not enough to justify the time and expense involved in tying.

Sale of tobacco allotments: With regard to the sale of tobacco allotments, the Nash County Farm Bureau board of directors in session October 6, 1966, recommended that the necessary legislation be enacted permitting the sale of tobacco allotments within the county.

That concludes our statement, Mr. Chairman.

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

Are there any questions?

Mr. McMillan?

Mr. McMILLAN. No questions.

The CHAIRMAN. Next I will call Mr. Robert L. Alexander, State-Federal coordinator in the office of the Honorable Robert E. McNair, Governor of the State of South Carolina. Mr. Alexander is representing the Governor of South Carolina here today.

STATEMENT OF ROBERT L. ALEXANDER, STATE-FEDERAL CO-  
ORDINATOR, OFFICE OF ROBERT E. McNAIR, GOVERNOR, STATE  
OF SOUTH CAROLINA

Mr. ALEXANDER. Thank you, Mr. Chairman and Mr. McMillan. I am Robert L. Alexander, State-Federal coordinator in the office of Robert E. McNair, Governor of South Carolina.

The following statement was prepared for the use of Governor McNair, but he was unable to leave South Carolina at this time and instructed me to make this appearance before this subcommittee of the House of Representatives. With the permission of the subcommittee, I will deliver this in the first person as though Governor McNair were here.

In recent years the entire tobacco marketing program has become a hodgepodge system and tobacco growers are, no doubt, wondering whose interest is paramount.

The United States Department of Agriculture, representing the growers at the national level, should use their entire influence to protect equally all farmers in the administration of congressional agricultural programs. The punitive type of administration by the Department of Agriculture certainly cannot be the brainchild of Congress. We recognize it as arbitrary administrative rulings.

In South Carolina the number of days for loose-leaf sales of flue-cured tobacco was increased this season to 12 days. In other states it is, and has been the rule to allow loose-leaf sales all during the market season.

I contacted the members of the South Carolina delegation in Washington and the United States Department of Agriculture urging that the then seven-day sale period be extended throughout the season. I have never been able to determine just what is that sound reasoning employed by the Department of Agriculture in restricting loose-leaf sales in South Carolina. Neither have I been able to determine how the Department of Agriculture arrives at the arbitrary figure of a three-cent differential between tied and untied tobacco. It is the opinion of the experts that it would cost at least eight cents to tie tobacco. The trouble, however, is not only that lost nickle, but a shortage of labor in South Carolina. Every tobacco grower will tell you that it is almost impossible to find anyone to tie the tobacco. This has forced the tobacco grower in our State to the disaster position of finding labor where there is no labor and paying some eight cents to have the tobacco tied in order to market it on the South Carolina market or transport the tobacco to markets in other states. In either event the tobacco grower loses.

On August 7 of this year, two days before the tobacco market opened, the newspapers quoted me as stating:

"There is optimism among the tobacco growers that the 1966 season will see the farmer reap the same financial rewards as they did in 1965 when the crop averaged a four-year high of \$65.61 per hundred pounds. Observers tell me that our overall crop will equal or surpass that of 1965 despite some unfavorable growing weather in May and June. We are pleased that we will get additional time to sell tobacco in loose-leaf form, but we will not be satisfied until South Carolina farmers, like those of Georgia, will have full price supports for loose-leaf and will be allowed to sell it in that form all season long."

My position has not changed as to loose-leaf sales for the entire season. Sales records for the past season show nearly 60 percent of the season sales were loose-leaf tobacco with an average price practically the same as tied tobacco.

Tied tobacco did not bring a price of more than three cents per pound over untied tobacco and at present labor cost, even if labor can be found, tobacco cannot be tied for three cents per pound. With scarcity of farm labor our tobacco farmers are being forced to find out-of-state markets for their tobacco.

An arbitrary position of only a limited number of sales days for loose-leaf tobacco is punitive to our tobacco growers in South Carolina. Our farmers are not only punished price-wise, they are forced to transport their tobacco to loose-leaf sales markets at additional cost.

The position that 1966 tobacco brought record prices to South Carolina growers is only a half truth statement. Farmers do not class a successful crop on just price per pound, the success of a crop is the income per acre. Occasional higher prices one year for a low yield crop and continuing higher cost of production does not solve the farmer's economic problems.

Still another reason is the tobacco farmer needs to sell all of his tobacco loose leaf in order to shorten the number of sales days.

Farmers cannot depend on one crop for an annual income so they must diversify and the present period of three months to sell their tobacco crop seriously limits the farmers who are compelled to plant more than one cash crop to remain on the farm.

I want to reiterate the position I took in August as to a full season of loose-leaf sales for tobacco.

I understand that the Department of Agriculture has a plan to increase the number of loose-leaf sales days by several each year until we have a season of loose-leaf sales. I am against this.

I, frankly, intend to delay finalizing a survey of our tobacco farmers toward obtaining a full season of loose-leaf sales until I have the results of some preliminary surveys which I have directed the State Department of Agriculture to obtain for me for further presentation to the United States Department of Agriculture in our efforts to obtain a full season of loose-leaf sales in 1967.

The CHAIRMAN. Thank you, sir.

If there are no questions, the next witness I will call is Mr. Roy B. Davis, Jr., of the Virginia Department of Agriculture.

Before hearing Mr. Davis, I would like for you to know that a very distinguished colleague of ours from Georgia, Mr. Hagan has joined the subcommittee. We are very glad to have you here, Mr. Hagan.

Mr. HAGAN of Georgia. Thank you very much. I appreciate the opportunity of being here, Mr. Chairman.

#### STATEMENT OF ROY B. DAVIS, JR., DEPARTMENT OF AGRICULTURE, STATE OF VIRGINIA

Mr. DAVIS. Mr. Chairman and members of the subcommittee, I am Roy B. Davis, Jr., tobacco marketing agent for the Virginia Department of Agriculture.

It is my pleasure today to represent our commissioner at the hearing of this subcommittee.

I appreciate the opportunity of presenting the views of the Virginia Department of Agriculture on this very important subject concerning the sale of looseleaf tobacco which you have under consideration today.

I am sure that your purpose and that of the department I represent coincides in that we are seeking the best way to improve the profit position of the growers of Flue-cured tobacco, to enable them to more fully share in the affluence of our present-day society.

The tobacco programs which have been fashioned by your committee and others in the Congress, and by the administrators in the U.S. Department of Agriculture have, in the minds of most people, been highly successful and have enabled the tobacco growers to enjoy many of the finer things of life.

The development and operation of these programs has required millions of decisions—decisions made by individual growers, growers as a group, the buyers of tobacco, the manufacturers of tobacco products, both at home and abroad, and by our Congress and by the administrators within our Federal Government who are charged with the overall coordination of these programs. Each of these decisions has an effect on the ability of U.S. Flue-cured tobacco to meet the competition in the marketplace from other kinds of tobaccos grown here at home and the same and other kinds of tobaccos grown on foreign shores. Each of these decisions has either improved the

competitive position of U.S. Flue-cured tobacco, held it constant or caused it to deteriorate.

A look at the record shows that the use of Flue-cured tobacco in cigarettes here at home has lagged behind the total use of tobacco to such an extent that when we compare the proportion of Flue-cured tobacco used in 1965 to that used in 1953, growers have lost a market for 75 million pounds in 1965 to other kinds of tobacco here at home.

In exports, our share of the free-world movement of Flue-cured tobacco in 1950 to 1954 was 56 percent; in 1965, only 43 percent. This represents a loss in the market of 195 million pounds.

Why did these things happen?

The total effect of these millions of decisions has caused the competitive position of our tobacco to deteriorate and to transfer to other growers the opportunity to produce almost one-fifth of the market that we enjoyed just 10 to 15 years ago. Such is the nature of the decisions with regard untied tobacco.

If the future expansion of untied leaf sales could be resolved on the basis of my wish, as a grower, the answer would be easy. I do not like to tie tobacco. But I do not believe the effect of past decisions on untied tobacco and any future ones in this area will be limited to the simple question of whether growers like to sell tied or untied tobacco.

During the marketing year of 1965-66, 300 million pounds, or two-third of the tobacco shipped overseas was unstemmed, and in recent weeks a number of important buyers have expressed concern over their ability to find satisfactory supplies of tied tobacco. It is my understanding that one major buyer has limited his purchases to tied tobacco because his facilities overseas are not suitable for looseleaf shipments.

While the proportion of unstemmed tobacco in our exports have been declining rapidly, the fact that 300 million pounds were shipped overseas last year in unstemmed form our failure to supply this market would drive our friends to other suppliers who are willing to supply the tobacco in the form the buyers want it. The loss of even a portion of this market could more than offset any gains we might think we would realize from a reduction in the cost of production, due to the fact that tobacco is sold in looseleaf form.

In the final analysis, it is the user of our tobacco who will determine whether a decision we make in our program will increase or decrease our profits. History shows that we cannot force manufacturers of tobacco products to buy from us. Just this week, I had the opportunity of discussing our present situation with one of our friends from overseas. He commented that his company would have to adjust, because they needed our tobacco. This is, indeed, a good position for us to be in, but the record shows that these words are becoming weaker and weaker though he and others like him are increasing their usings of Flue-cured tobacco from other sources, and our share is dropping.

It was my privilege last spring to visit a number of our friends in one of our major market areas overseas on behalf of our Virginia growers. Soon after the decision was made to expand the sale of untied tobacco, a decision which has tripled the amount of untied leaf sold in the Georgia-Florida area—that is, outside of the Georgia-Florida area. The other development was causing our friends more

concern, the possibility of this threefold increase in untied tobacco and the resultant reduction in suitable supplies of tobacco in the form they wanted it, and this would limit their ability to find their needs on our market.

Only time will tell whether the decision in 1966 which increased the period of untied sales from 7 to 12 days and extended it to all types of 40 grades will reduce satisfactory supplies of tied tobacco to such an extent that our users will seek a greater proportion of their needs from other sources. If this is the case, a more recent decision by the Commodity Credit Corporation to pay a refund on exports to make our tobacco more competitive will, to a degree, be compromised.

I would, therefore, Mr. Chairman, urge that you not accede to my desire as a grower to sell more of my tobacco in untied form, but to order a thorough study of the effects of the present situation on our ability to compete effectively with producers in other areas, and render a decision that will enable us as U.S. Flue-cured tobacco growers to expand our markets and our production possibly.

If such a study, which would include full consideration of the effect of the present situation on our present and future sales as well as the effects on production and costs, deals with the present amount of untied tobacco, finds that it is too great, that the amount sold in 1967 be reduced. On the other hand, if the study reveals that the amount of untied leaf tobacco which can be safely sold can be increased, that this be done.

Thank you very much.

The CHAIRMAN. Thank you very much.

Are there any questions?

Mr. McMILLAN. No questions.

The CHAIRMAN. I will next call Mr. Joe Blount, a tobacco farmer of Loris, S.C.

A VOICE FROM AUDIENCE. He is not present.

The CHAIRMAN. Then, I will next call Mr. W. B. Wilkinson, Jr., field representative of the Virginia Farm Bureau Federation.

We are pleased to have you here and will be glad to hear from you now, Mr. Wilkinson.

#### STATEMENT OF W. B. WILKINSON, JR., FIELD REPRESENTATIVE, VIRGINIA FARM BUREAU FEDERATION

Mr. WILKINSON. Mr. Chairman, I am W. B. Wilkinson, Jr., field representative of the Virginia Farm Bureau Federation.

We appreciate the opportunity to make a statement concerning the sale of untied tobacco.

At the time that this statement was prepared, we were not aware that you would consider the sale of allotments and I have no statement on that question.

Our farmers are interested in selling tobacco untied to the extent that our customers are ready to handle it.

We would request that the effect of additional sales of untied tobacco on all phases of the tobacco program be thoroughly investigated before any decision is reached. We are dependent to a large degree on export markets for the sale of our tobacco and would request that consideration be given to their needs as well as to the effect that additional sales of untied tobacco would have on our marketing system.

We feel that it would be desirable to wait until the end of the present marketing year and until the above factors can be thoroughly considered before reaching a final decision on this question.

The CHAIRMAN. Thank you very much. If there are no questions, I will now call Mr. LeRoy Parker of Rocky Mount, N.C.

We will be glad to hear from you now, Mr. Parker.

**STATEMENT OF LEROY PARKER, TOBACCONIST,  
ROCKY MOUNT, N.C.**

Mr. PARKER. Mr. Chairman and gentlemen of the subcommittee, I believe that I am the first one from the buying center up here, so I will have a little different statement to present.

On behalf of Mr. Nagasawa, representative in charge of the Japan Monopoly Corp., I would like to read to you his views.

The sale of loose leaves on the markets this year has made it quite difficult for Japan to buy the tobaccos we need as we do not yet have enough facilities to handle loose leaves in our plants in Japan.

We would not like to see an extension of sale of loose leaves next year. If next year the markets are 100 per cent loose leaves, including Government B grades, our purchases will be greatly reduced. Furthermore, unless grading is done in a stricter manner, not only in loose leaves but also in bundles, American leaf tobacco will lose its good reputation in the foreign markets.

Another problem we find is that farmers are hauling their tobacco from one belt to another to the extent that we are no longer able to identify our purchases by belts. This creates serious blending problems for us as we have always historically blended American tobaccos by belts.

We respectfully request your serious consideration to our problems as stated above.

Thank you.

The CHAIRMAN. We thank you.

Mr. McMillan, any questions?

Mr. McMILLAN. I wonder if these Japanese know how to grade tobacco, if they are confused about one grade from one belt to another. Can they not tell the type of tobacco whether they desire it, or not?

Mr. PARKER. Well, naturally, Congressman McMillan, I cannot quite answer for the Japanese, but I would say that our Government graders do not grade tobaccos by belts. They grade it by the belt that it is sold in and not by the belt that it is grown in, and I think that is what they mean in this case.

Mr. McMILLAN. I see. I thought that they could tell what grade they planted.

Mr. PARKER. They can, the grade, but not the belt, that is, in every case. They see tobacco from one belt sold in another belt. They have, for accounting and technical reasons, graded it in the belt in which they bought it, even though they know it is from another belt.

Mr. McMILLAN. That is all. Thank you.

The CHAIRMAN. Thank you again.

I will next call Mr. C. Stuart Carr, Jr., vice president, Universal Leaf Tobacco Co., Inc., Richmond, Va.

We are very glad to have you here, Mr. Carr.

**STATEMENT OF C. STUART CARR, JR., VICE PRESIDENT, UNIVER-  
SAL LEAF TOBACCO CO., INC., RICHMOND, VA.**

Mr. CARR. Mr. Chairman and members of the committee, my name is C. Stuart Carr, Jr., vice president of Universal Leaf Tobacco Co.,

Inc., Richmond, Va., one of the major buyers and exporters of Flue-cured tobacco.

We strongly recommend that there be no further extension in the selling of loose leaves.

In all future sales of loose leaves, we advocate the use of a burlap sheet as a container. At no cost to the grower. Currently, warehousemen are dumping leaves into baskets and the buyer is redumping into sheets. This double action creates an unnecessary expense. Plus the fact that we are seriously handicapped by an acute labor shortage. The marketing of leaves in sheets would be a step toward eventual consideration of selling in bales.

We think that all tobacco should be sold in the district in which it is grown.

The CHAIRMAN. Thank you very much.

Mr. McMillan, any questions?

Mr. McMILLAN. I think all of us would like to see all of the tobacco produced in an area sold in that area, and if the exporters will pay the differential, I am sure that the people will try to do that.

Mr. CARR. Well, Congressman McMillan, that is a moot question, and one that is very understandable of you in asking and of many farmers in asking. We have seen illustrations where loose leaf brought nearly as much or more than tobacco tied in bundles, but there are many underlying factors that, I think, can explain that.

When people are selling tobacco in loose leaf and hauling them all over creation—the old belt hauling it to Georgia and South Carolina, and South Carolina hauling tobacco to the old belt, how can we know how much tobacco is going to be sold in leaf, how can we know how much tobacco an individual belt is going to sell? How can we determine in any way the size of the crop, in order to fill our orders?

The Government cut its own estimate by 42 million pounds this week, whereas a few weeks ago they had increased it.

Mr. McMILLAN. It is my opinion that is why we are having this hearing today, to try to remedy this situation in South Carolina.

Mr. CARR. We think that would be a great step forward enabling us—and I speak for Universal Leaf Tobacco Co.—in determining how much tobacco to buy and how to spend the money that these customers of ours ask us to spend, and that is all, after all, that we are spending—their money and not our own money. That would be a great step forward in enabling us to know how much tobacco an individual belt is going to sell and how we can fill our orders. If we have an order for  $x$  number of pounds of a certain grade of South Carolina tobacco, we may buy it much faster than need be, because we have no idea how much tobacco is going to be sold in South Carolina under the present marketing system.

Mr. McMILLAN. If it is tied and untied and is on the floor, you can buy what you want. Would that not solve the problem?

Mr. CARR. No, sir. That might solve it in the minds of some people, but it would not solve it in my mind. We feel that the selling of loose leaves very definitely slows the volume of sales for the grower. Even the U.S. Department of Agriculture people are quite clear in saying that it takes 20 percent more space in a factory to handle loose leaf, and it also takes 20 percent longer to process loose leaf. It is really much more costly for a buyer to handle loose leaf, because the handling sheets are far different from handling tobacco in bundles,

because the sheets are more bulky—you cannot haul as much as you can of the other, and you cannot stack as much of it in a given place. It is also more costly to move loose leaf around after it is purchased. And last, but certainly not least, one reason why we vigorously oppose the selling of loose leaf beyond what has been done this year is because of the protests that have been registered with us as buyers by our foreign customers. As I say, we are spending their money, and they tell us: "If you continue to sell us tobacco in loose leaf, we will find a substitute for American tobacco."

And, gentlemen, that is being done every year. All you need to do is just to review your statistics put out by the U.S. Department of Agriculture, and you will see that we have been losing business hand over fist.

Mr. McMILLAN. Thank you.

The CHAIRMAN. If we should consider legislation prohibiting the sale of tobacco across State lines, we would run head-on into the interstate commerce clause of the Constitution; I do not see how we can possibly say to a man at the South Carolina border, "You cannot go into South Carolina," or the one in South Carolina, "You cannot go into North Carolina." We have problems, there is not any doubt about that.

Mr. CARR. It does seem a violation of free enterprise, there is no doubt about it, but we just throw that out to you for your consideration. I imagine it would call for a referendum; whether or not it is even feasible or practical, I do not know.

The CHAIRMAN. It would call for a change in the law. That is, the law relating to interstate commerce. I do not know what we can do about that. Anyway, we thank you very much for your appearance here.

Mr. CARR. Thank you, Mr. Cooley. It has been a pleasure to be here.

The CHAIRMAN. It has been a pleasure to have had you here.

I will next call Mr. Charles D. Sands, president of the Export Leaf Tobacco Co., Richmond, Va.

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

#### STATEMENT OF CHARLES D. SANDS, PRESIDENT, EXPORT LEAF TOBACCO CO., RICHMOND, VA.

Mr. SANDS. Mr. Chairman and members of the subcommittee, my name is Charles D. Sands, and I am president of Export Leaf Tobacco Co., of Richmond, Va.

My company purchases very substantial quantities of American flue-cured tobacco to supply to the cigarette manufacturers throughout the free world.

As a supplying and processing company, we have consistently opposed any expansion of the sale of tobacco in the form of loose leaf for the following reasons.

First, loose leaf is extremely difficult to handle on the warehouse floors, because of its condition, as well as in the auction warehouses and at the processing plants.

Next, it has been our experience that considerably more storage space is required to hold loose leaf while awaiting processing.

Loose leaf cannot be processed as expeditiously as other kinds, and requires facilities with which some of our plants are not equipped.

As to loose leaf, under this year's marketing program, extending marketing supports to untied tobacco during the first 12 days of the sale it has resulted in a movement of millions of pounds of tobacco from belt to belt and a concentration of volume into a relatively short period, so that the processing plants are being severely congested.

The manufacturers we supply have predominantly expressed a preference for tied tobacco. Many of them are not able to use loose leaf in this form at all.

In addition to the increased expenses incurred in processing loose leaf, the manufacturers have the following reasons for not wanting it:

First, uniform grade quantity is an essential point to the maintenance of blend standards. Tobaccos marketed in the form of loose leaf contain a greater amount of mixed grading and quantity than does tied tobacco. These leaves also contain a great deal of foreign matter, all of which it is virtually impossible to remove at the time of the original processing.

Many factories overseas are not equipped to handle loose leaf.

These three points cause great concern to the overseas manufacturers and are seriously lowering the prestige of American tobaccos.

Mr. Chairman, for all of these reasons which may not seem to be particularly important to the average grower, warehouseman or the Department of Agriculture officials, to those who are engaged in the export of tobaccos, they are critically important. All segments of the American tobacco industry must join hands in making available to our customers the kind of tobaccos that they want, in the form that they require, and at the best possible competitive prices.

If we think of the old maxim that the customer is always right, if we make it impossible for him to buy the kinds of American tobaccos that he wants, in a manner that he desires, packed in a manner that he requires, if we forget that, then we are destroying the foreign markets for our tobaccos. It would leave our customers no alternative but to turn to other countries for their needs. There are many areas of the world that are furnishing to our traditional customers tobaccos which they find attractive, and unless we make available what they want it is inevitable that they will turn more and more to our foreign competitors for their supplies.

Our experience this season clearly indicates that we must take definite steps to hold the allegiance of our foreign customers. We would suggest that in the 1967 crop season that the following measures be adopted to improve the present unsatisfactory marketing condition:

First, that price support be applicable to loose leaf in only the priming of nondescript quality. This will enable the growers to market the early tobacco untied in the season while curing and tying the leaves higher up the stalks.

Next, that such price supports be extended to these qualities but for only, say, the first 35 to 50 hours of the sale. This would provide sufficient sales time for all growers in each belt to prepare their tobacco for the market to sell as loose leaf.

Finally, if such price supports be extended to such quality that it

would be only when the tobacco is sold in the belt in which it was grown. This would provide for more orderly marketing of loose leaf in each belt.

In summary, we strongly urge that the sale of loose leaf be reasonably restricted, so that there will be available tobacco that will enable the American tobacco industry to maintain its rightly place in the free world.

Thank you very much.

The CHAIRMAN. Thank you.

If there are no questions, I will next call Mr. Rufus Larrimore, tobacco farmer and warehouseman, Hemingway, S.C.

We will be glad to hear from you now.

#### STATEMENT OF RUFUS LARRIMORE, TOBACCO FARMER AND WAREHOUSEMAN, HEMINGWAY, S.C.

Mr. LARRIMORE. Mr. Chairman and members of the subcommittee, my name is Rufus Larrimore. I am glad to appear before your subcommittee. I want to speak directly as a tobacco farmer. Labor is getting very scarce. We cannot get enough labor to tie this tobacco. I have in many cases taken tobacco off the stick, weighed it, and have given to some people to tie, and in most the cases I will be lucky if I get 92 percent of my poundage back. That means that you lose 8 percent in poundage. If you lose that and if you average 70 cents per pound, plus 3 cents to get this work done, you are losing 10 cents.

You take a farmer who puts that tobacco on the floor, it is bringing the same price loose as it brings tied, and then you just cannot get him to go back and tie his second tobacco.

In South Carolina this year, I believe that the farmers in our State sold on the markets around 60 million pounds of loose tobacco. And then they have taken 23-plus millions down to Georgia and about 7 million to North Carolina. They were hunting a place to sell their tobacco loose. It was an awful thing the last 3 days of the market in South Carolina when the farmers knew that they did not have but just 3 more days to sell the loose tobacco. Everyone was rushing in—everyone was trying to do their best—they were getting mad at the warehouseman, doing everything to get their tobacco on the floor. And we lived through almost a hell. I will tell you what is true: When they could not sell it on our markets, they moved up into North Carolina with it.

The farmer in South Carolina is going to sell his tobacco untied, regardless of what State they have to sell it in.

I think the time has come now that we will have to go loose.

There is one thing: If the farmers had been given a differential which was sufficient for this tobacco, they would have continued tying it, if that is the way that the companies want it, but tobacco is bringing practically the same price loose as tied.

I think that this past year was the time when we should have diverted it all the way to loose.

Thank you very much.

The CHAIRMAN. Thank you very much. Are there any questions?

If not, I will next call Mr. A. P. Thorpe III, a tobacconist of Rocky Mount, N.C.

We will be glad to hear from you now, Mr. Thorpe.

STATEMENT OF A. P. THORPE III, TOBACCONIST,  
ROCKY MOUNT, N.C.

Mr. THORPE. Mr. Chairman and members of the subcommittee, my name is A. P. Thorpe from Rocky Mount, N.C. I have been asked to read two letters this afternoon on behalf of the J. L. Tiedemann Tobaksfabrik, the largest manufacturer in Norway.

The first is by their U.S. office, the Overseas Commodex Corp., and it reads as follows:

Enclosing is a copy of a letter by J. L. Tiedemann's Tobaksfabrik, dated October 12, 1961, addressed to Tobacco Division, FAS, concerning the possible change in sales of American tobacco to looseleaf form. This letter still states the same position that exists with us today.

Tiedemann has been experimenting with new machinery in four countries in an effort to adapt themselves to handling loose leaves, but such equipment is not available today. Therefore, our situation remains unchanged since 1961.

Very truly yours,

WALTER C. SPRYE,  
*Vice President.*

Next is the letter from J. L. Tiedemann Tobaksfabrik, dated October 12, 1961, directed to the Tobacco Division, Foreign Agricultural Service:

I would very much like to thank you for arranging the meeting our Mr. Bell had with senior officials of the Department of Agriculture when he was recently in Washington.

It is understood that he was given a very sympathetic hearing by Mr. Murray Thompson, Mr. Claude G. Turner, Mr. Hugh C. Kiger, Mr. John I. Morton, and yourself when discussing the possible sale of tobaccos in an untied form. Knowing how busy all you gentlemen must be, the time given to this conference is greatly appreciated.

I would like to reiterate some of the points brought up during the course of the meeting.

Shag and pipe mixtures make up the major part of total sales of tobacco goods in this country. In these products the Norwegian public has been used to a long rag, or cut, with no slivers of the stem; the consumer judges, to a large extent, the quality of a product on those visual attributes. In this connection it can be added that it is easier to change the taste of a product over a period of time than to alter the appearance of the same product.

If the method of selling American flue-cured tobacco is changed so that sales take place in a loose leaf form, it would appear to leave me one of two courses to follow:

(1) Tie all purchases prior to redrying. This would in all probability increase the cost of the landed leaf in this country and so force me to seek some cheaper tobaccos elsewhere.

(2) Straight lay the tobaccos best possible in my own factories prior to cutting. This method would not be really satisfactory as slivers of stem could not be avoided; besides which the cost of production would be increased considerably.

American tobaccos are still considered to be in a class of their own and form the backbone of my blends. However, as a matter of expediency, it has been found that, with careful blending, certain tobaccos purchased outside America can be used as price reducers, without in any way reducing the quality of the products.

Should loose leaf sales become the order of the day on all American flue-cured markets, I am afraid my usage of "off-shore" tobaccos will tend to be accelerated at the expense of the American leaf.

I would like to repeat my sincere thanks for your having arranged the meeting and hope that as a result of it and all the others that were arranged afterwards, the probability of loose leaf sales taking place has diminished.

Thank you.

The CHAIRMAN. Thank you very much.

Are there any questions?

If not, I will next call Mr. Elmer Burt, Wake County Farm Bureau.

We will be glad to hear from you now.

STATEMENT OF ELMER BURT, WAKE COUNTY FARM BUREAU,  
WAKE COUNTY, N.C.

Mr. BURT. Mr. Chairman and members of this subcommittee, my name is Elmer Burt of Wake County, N.C.

I do not have a prepared statement. I am not here as the president of the Wake County Farm Bureau. I would like to speak as a farmer, a tobacco farmer.

The selling of untied leaf is one of the subjects before us, and I will take that first. As a farmer this is the way that I would like to sell it, without any question. I would like to sell it that way 100 percent, but when I look at the facts I wonder if this is the statement that I really want to make. Can our consumers handle this product in total at any one time without definite plans preceding it? I doubt it. And we must, even though we have the best product in the world, satisfy our customers.

I think that planning is the thing that we must put preceding, going all the way into loose leaf. I think that we need planning in going into loose leaf, planning in marketing, planning in selling, and planning in using it.

The total industry needs to make some plans.

Last year, I had great hopes that we would have a committee that would do some planning. It was to be a marketing committee, but so far this has not developed.

In preceding years, I have heard farmers, warehousemen, and others, condemn one segment or one part of a segment of the industry, and then another, in our system. This will not stand up any longer.

Our farm people, our industry people are beginning to talk to each other. We are beginning to understand some of the problems that the others have. We must get together, and I think that we need, first, to get some planning and to have some farmers and some warehousemen and some company people and some consumers to sit down and really make a thorough study of what we are doing and where we are going and how we are going to get there, and, particularly, as it relates to the looseleaf marketing.

Economically, I want to sell loose leaf. At the market this year, it is not paying you to tie the tobacco, as a farmer. I sold about one-third of my crop loose leaf. I could have sold at least another one-third during the marketing time, but I did not, because I thought that the market would pay me for tying it. Gentlemen, it is not doing it. And this is the economical bind that the farmer is feeling and that I am feeling, and there is question about it, that if the price is there we farmers will tie every bundle of it and not sell any loose leaf. If it is not there, we must find another answer.

Now, going to the sale of allotments. I have been against the sale of allotments. Maybe this was an inherited thing that gained through the years as a youngster hearing about this, that tobacco and the land were the same.

It has only been a few short years ago that I would have thought that it would have been the most unreasonable and unrealistic approach to try to solve some of our problems. And before the Scott-Talmadge hearings in the late 1950's, I so stated; but times changed, and a year ago I changed. And in the process I decided that an acreage-poundage system was a thing that could be one of the salva-

tion factors of our tobacco program. We made that change through a vote of our tobacco people. And most of our people are now aware that it was a good thing. It hurt me as a tobacco farmer, because I lost poundage, but I think that in the long run, I will gain.

I think that we are going to face up to this thing of selling tobacco allotments. I am not sure that we will sell or not sell, but farmers need to understand all of the facts. And if you give our farm people the facts they will make the right decisions. They do not need an education; they need the facts. And I believe that they are beginning to see now that we must make a change in this tobacco program of moving allotments. If we are to survive as an industry of the magnitude that we have known in all of the life of America, we must somehow be able to pay labor. We must be able for a few people to have greater quantities and place it on the marketplace at a lesser cost than we have for years past. Mechanization will be the answer if we are to survive in this tobacco industry as farmers. Mechanization is going to be costly. In order to be able to absorb this cost there must be a greater volume of acreage and poundage in a given unit.

We lost the cotton industry in North Carolina that was here a few years back, because we waited too long to get cotton into the hands of the people and in the types of sales that could grow cotton economically, mechanically, and make money. I think that we had better look close at this thing of selling tobacco allotments before it is too late.

We must have mechanization, and our research and our industry must give us the equipment to handle it mechanically.

Again, we must put it in a form that our consumer, our buyer, our manufacturer wants it in.

I am still a little disturbed as to the helter-skelter manner of handling tobacco. When we go to mechanization, I think we need to go into some form of bundle or bale, or something that will get it in a much more desirable form, better appearing to our manufacturers.

I think that we need to plan in both of these cases today, loose leaf and the sale of tobacco allotments. I think that we need, and industry needs, to sit down and do some planning, and each understand the other man's problems.

Thank you, very much.

The CHAIRMAN. Thank you, Mr. Burt.

Mr. BURT. Are there any questions?

The CHAIRMAN. I believe Mr. McMillan has a question.

Mr. McMILLAN. I would like to ask the gentleman this question: Do you think that it is very, very important to the tobacco grower to settle this problem within the next 30 or 60 days?

Mr. BURT. If it can be settled in the next 30 to 60 days completely, fine—this is my opinion. I think that the farmers and the industry as a whole need to know the answer for next year.

Mr. McMILLAN. That is what I am thinking of.

Mr. BURT. Yes, sir, I do not think that there is any question about that.

Mr. McMILLAN. So that the farmers and the industry will know what to expect in the selling season and not wait until next spring.

Mr. BURT. The later you wait the more confusion there is usually in the marketplace and in the mind of the farmers and the companies and the warehousemen, and everybody else.

Mr. McMILLAN. If I did not think that this problem was real important and should be settled immediately, I can assure you that I would never have taken 2 days away from my campaign to be here today—I can tell you that.

Mr. BURT. Thank you. I appreciate that. I think it is a very important question.

The CHAIRMAN. You mentioned a marketing committee. What do you have in mind?

Mr. BURT. Maybe this is not the right name, marketing committee. Maybe it should be industry committee. I think that it should be made up of people from all segments of the industry to be able to look to each segment, to look at the other man's problems, away from any pressures, away from any undue duress from anyone, where they could sit down eye-to-eye across the table and discuss their problems, one with another, and understand the situation; and, then, these people, if they were leaders within their fields, whether it be the farmers or the warehousemen or the companies or the consumers or the manufacturers, then they could explain in a legible, understandable way to their own people what was happening within the total industry. I do not think we would have this confusion that we are having in our marketing of tobacco now if we had that understanding.

Mr. McMILLAN. Just a few weeks ago, Congressman Lennon and myself and Mr. Cooley and some of the others appeared before some Department of Agriculture officials in an effort to get a 10-day extension on this looseleaf sale, and at that time the Department advised us that they had previously made commitments to the exporters, that is, the tobacco exporters, that they would not have more than a 10-day sale, and that is the reason that I think it is a real emergency and that we should do something right away.

Mr. BURT. Yes, I think you should plan and plan well ahead, so that everybody knows what is going to happen, and then stick to it as nearly as possible.

Mr. McMILLAN. Before making any commitments?

Mr. BURT. Yes, sir.

Mr. McMILLAN. Thank you. That is all.

The CHAIRMAN. Thank you very much.

I will next call Mr. John Williamson.

#### STATEMENT OF BAILEY WILLIAMSON, RALEIGH, N.C.

Mr. WILLIAMSON. Mr. Chairman and members of the committee, I have an explanation to make. I am Bailey Williamson. I want to thank you and Mr. McMillan for both coming down here.

Over the years, I know of no two men who have been in Washington who have been truly the friends of the tobacco farmers as you two men have.

The CHAIRMAN. I am glad to hear that.

Mr. WILLIAMSON. I am appearing here for my brother John Williamson, who is president of the Flue-Cured Tobacco Growers. And the reason that he cannot be here is that today was his day on the hay baler. And I was not about to change with him. [Laughter.]

He asked that his association go on record as favoring an option system that price supports be extended throughout the entire season

on all grades, and if there are companies who are willing to pay the difference, then the farmers will tie the tobacco.

That is about the position of his association.

I did not realize the possibility of the subject of the sale of allotments was going to be discussed here today. I have been informed that it was not going to be, but if you will look at the total picture, as I have tried to do, to the best of my ability, I will present these thoughts:

I was invited to a conference at State College where the best minds in the business put together papers and present them. I came to the conclusion that it is an age of mechanization; that bulk curing and mechanical harvesting and sale of loose leaf will fit all in one program.

I just want to say that I favor the sale of allotments across the county lines, or anywhere else. Thank you.

The CHAIRMAN. Thank you very much.

Mr. McMillan, any questions?

Mr. McMILLAN. I like the statement of this gentleman who has expressed the exact sentiment of the people that I represent in South Carolina. I want to thank you for your statement.

Mr. WILLIAMSON. Thank you.

The CHAIRMAN. Thank you, again.

I will next call on Mr. L. R. Ellis, Route 1, Clinton, N.C.

We will be glad to hear you now.

#### STATEMENT OF L. R. ELLIS, CLINTON, N.C.

Mr. ELLIS. Mr. Chairman and gentlemen of the subcommittee, I am just a farmer; just a plain old farmer, Mr. Cooley. There are about three thoughts that I have.

We propose that looseleaf sales be increased to 18 days per belt, limiting looseleaf sales to domestic tobacco. That is the bottom part on the stalk. That will not get up into our H tobacco, and will give other States that handle this domestic tobacco an opportunity which otherwise is too expensive to handle in a bundle.

Then, we suggest that looseleaf tobacco be supported at the same price as tied tobacco on a grade basis. That will help eliminate some of this differential in cost.

We request that enough drying plants be operated to take care of the amount of tobacco that has been agreed upon to sell to the buyers. That was something that was agreed upon before this crop, Mr. Cooley.

The cards were laid on the table, and they were figured out in proportion, per pound, per amount of baskets that the companies could handle and process, and yet we come back to the same old situation. I think if there are enough drying plants put into operation to take care of the existing proposition, we would not have this trouble.

The CHAIRMAN. May I interrupt you there?

Mr. ELLIS. Yes.

The CHAIRMAN. I am told that it is difficult for them to find labor to operate the drying facilities, even though they are available.

Mr. ELLIS. That might be true, but this applies not only to the drying plants of the companies but it applies to me as a farmer, and, as I stated beforehand, if the cards are laid on the table between the committeemen of the various people and all of the segments of the industry and it is worked out as to the amount of tobacco that can be

handled satisfactorily to the flow of the tobacco to the market, it would help.

Here is another thought. We are entitled to support of 100 percent parity on tobacco. We are working on a very small parity on our tobacco, and if we could get the support of our tobacco crop up to 100 percent of parity that would be another factor that would come in here and justify our hiring labor at the minimum wage cost that is set upon us and which helps to create this situation.

Those are just a few of the thoughts I have that I wanted to make a statement on. There are several others that I could present and stand here and come up with.

I appreciate the invitation I received.

The CHAIRMAN. We thank you very much for your appearance. I am certain that the committee will give consideration to your statement.

Mr. ELLIS. Thank you.

The CHAIRMAN. I will next call Mr. John Gregory, president, the American Leaf Organization, the Imperial Tobacco Co., Ltd., Wilson, N.C.

**STATEMENT OF JOHN GREGORY, PRESIDENT, THE AMERICAN LEAF ORGANIZATION, THE IMPERIAL TOBACCO CO., LTD., WILSON, N.C.**

Mr. GREGORY. Mr. Chairman and members of the subcommittee, conditions have reached a new low in marketing tobacco—conditions which no longer can be lived with—most of trouble having resulted from marketing conditions created by looseleaf sales.

We recognize the problem of the farmer but also the farmer and warehouse association has to recognize the position of the purchasing power.

Without the purchasing power of the export trade the farmer does not have a market for his product. This was effectively proven when the markets tried to run this past week without some of the foreign buyers.

It was also clearly illustrated by the slump in prices when major buying companies had to reduce their purchases, prior to leaving the markets, because of congestion in their plants.

There is also a definite demand in export trade for tied tobacco. A number of companies cannot under any set of conditions use loose leaves in place of bundle tobacco. To eliminate any one purchaser of tobacco, of any type, however small the order, decreases the competition with the end results in hurting the grower.

The majority of the export trade is concentrated in the H and B types of tobacco for which there is very little demand by the domestic companies.

Looseleaf sales and fast selling is tied together.

(a) The grower is concerned about the drop in prices as the markets progress.

This drop in prices is caused by:

- a. The inability of the processors to handle the tobacco.
- b. The unknown quality of future sales in later belts.
- c. The inaccuracy of belt volume predictions.
- d. The movement of tobacco between belts.

Of the four factors listed above the most important is the movement of tobacco between belts. It is in this movement between belts that makes it difficult to assess accurately the volume to be sold in each belt.

This causes the warehousemen to fear the loss of sales that would normally occur in his house and puts pressure on the individual to try and entice faster sales by his customer.

It also causes the grower to seek market facilities many miles from his home and which in turn adds to his expense and loss of time which is sadly needed at home for tending other crops.

This movement between belts also puts the Department of Agriculture and the buying companies at a great disadvantage in estimating future deliveries.

The Department of Agriculture, in spite of acreage-poundage control, predicted August 1 a Flue-cured crop of 1,167 million pounds. This was raised September 1 to 1,174 million pounds and now as of October 1, the total was decreased by 40 million pounds. This, despite the fact that the figures were gathered by the best brains and facilities available, can and does play havoc with buying companies' plans. Every purchaser would like and does his best to spread his purchases over the entire Flue-cured area so as to maintain a level profitable buying pattern. No buyer wants to buy his requirements at a high price and later see the same tobacco go to his competitor at a lower price. If this happens often, some heads will roll.

If the buying organization had more time to make orderly purchases and regulate their buying, there would be little chance of severe drops in prices.

It has been quoted in the papers a number of times by certain elements in the business that processors should increase their facilities to the extent that they could handle their purchases as fast and in any form that the warehouse and farmer wish to sell. It has also been stated that there are a number of plants sitting idle and that these should be put into use.

As for the first, I would like to state the Imperial Tobacco now has but two plants. We have sold a number of old plants in the past few years because they were outmoded and of no use. The product that we are required to deliver to our customers has changed and we have to change with the requirements. Our largest plant, located in Wilson, N.C., involves an investment of approximately \$9 million. We operate this plant, and our Greenville plant, for about 6 months out of the year. To increase our capacity, which is now well over a million pounds a day would require an additional capital investment of many millions, which is economically impossible. In fact, we have found there is not this space capacity that has been indicated. When we get in a position that we need this capacity, the dealer is usually in the same predicament that we are in. Also, using other plants that are not operating at capacity, would involve an additional outlay to other companies which we are not prepared to do. Besides the monetary cost, only a very few could meet the requirements in quality control that our branches demand of us.

Finally, we would like to recommend to the Department of Agriculture, to tobacco growers and the warehousemen, that definite steps be taken immediately to relieve the marketing pressure:

First, loose leaf sales be limited in 1967 to the P, N, X, and C grades. That the B and H types be supported only in bundled form.

Second, to relieve the pressure on all segments of the industry, that the Congress be asked for enabling legislation calling for a referendum by the farmer-voting that the movement of tobacco between belts be stopped.

In doing this, pressure would be taken off the warehousemen in knowing that all the tobacco grown in his district would be sold locally, thereby stopping the push to get in on the floor before it moves to another belt. To the farmer it would mean that he would not have to rush to market his crop, because he would know that it could be handled locally, and in this manner, the buyers could know what is to be sold in the belt and could plan a uniform, even pattern of purchase without the violent fluctuations in prices that now prevail. The farmer would also then have time to properly attend his other crops, saving valuable time and expense in long cartage.

If the above is not possible, which I feel is the only way the export trade can be held or extended, then sale poundage for each market should be established on a historical basis. Each market should be allotted a basic poundage (daily) which is its traditional percentage of the total belt sales. This probably should be allotted on a basis of what that individual market sold during the past 5 or 10 years. Such an allotment would in itself regulate sales and would be easy to adjust to the capacity of the buyers.

Gentlemen, before I sit down, I would like to ask—or even beg—the Warehouse Association, the Farm Bureau, and the Department of Agriculture to sit down together with the buyers and really tackle this problem. It is at a serious stage. It is costing the farmer and the processors money and undue anguish.

Speaking for the Imperial Tobacco Co., alone, our present position is not good. The world situation being what it is, it could mean a lot to the tobacco farmer, but it could also hurt him a lot. At the present time, the tobacco that we are buying is in excess of double what we can process and is at least one-half to three-quarters million a day more than we can handle through various other costly means. If we have to slow down, it will be to the growers detriment. Next year it could be much worse.

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

Mr. McMILLAN. I would like to ask Mr. Gregory a question. We, in South Carolina, wish to state that we are very proud of the Imperial Tobacco Co. and we certainly want to work with you people all the time. I have had questions asked me on numerous occasions as to why they sold the three plants in South Carolina.

Mr. GREGORY. We sold the three plants because they were old and they were of no value to us. Our method of processing tobacco has completely changed in the last 5 years—in the last 5 or 6 years should say. We now have to thresh all of our exports, except a very small amount that goes into pipe tobacco. All of our cigarette tobacco is threshed before it is shipped. None of the plants that we have sold, even in South Carolina or North Carolina or Virginia were suitable for this type of operation. We had to build new plants.

Mr. McMILLAN. Do you have to untie this tobacco for threshing?

Mr. GREGORY. When it is threshed—when you thresh the tobacco you put it through on a belt and you tip it; you tip it one way, and the butt end of it goes another way. The tips do not go through the

threshing. If they go through it reduces our capacity by 20 to 25 percent at a minimum.

Mr. McMILLAN. What do you do with the tips? Do you put them into the filters?

Mr. GREGORY. What?

Mr. McMILLAN. What do you do with the tips; do you put them into the filters?

Mr. GREGORY. We use all of it.

Mr. McMILLAN. Do you buy much tobacco in Georgia?

Mr. GREGORY. If the crop is good, we buy tobacco in Georgia.

Mr. McMILLAN. Thank you.

The CHAIRMAN. Mr. Gregory, I want to thank you for your statement, and I also want to assure all of the witnesses who have presented statements that the transcript of all of this evidence taken here will be made available to the officials of the U.S. Department of Agriculture and to the public generally.

Mr. GREGORY. Thank you, sir.

The CHAIRMAN. I will, next, place into the record a statement from Mr. Henry E. Ferrell, of Knightdale, N.C., as well as a telegram from Mr. G. Fred Steele, Jr., and a telegram from Mr. C. U. Rogers, and Mr. H. L. Barnhill, and Mr. J. R. Rogers of the Farmers & Tobacco Warehouse, and a letter from W. B. Oliver. These will be made a part of the record at this point.

(The letter and telegrams referred to follow:)

— KNIGHTDALE, N.C., October 14, 1966.

To House Committee Hearings:

SALE OF TOBACCO ALLOTMENTS

Economic pressure offers no alternative but that the sale and/or lease and transfer of tobacco allotments across county lines and eventually across state lines must come to pass if we are to maintain the production of flue-cured tobacco in this country as a major source of farm income. A schedule will be necessary so as to soften the impact on the economy of those areas which, because of soil and labor environment, would most likely sell or lease.

SALE OF FLUE-CURED TOBACCO LOOSE-LEAF

Economic pressures dictate the need for a less expensive method for preparing tobacco for sale. A complete change-over is a must by 1970. After this date a dealer desiring tobacco in the tied form should expect to pay an automatic fee to be added to the bid price of the tobacco.

HENRY E. FERRELL,  
Tobacco Farmer, Wake County.

— DURHAM, N.C., October 14, 1966.

WATKINS ABBITT,  
Chairman, Tobacco Subcommittee,  
Raleigh, N.C.:

Following telegram sent to Harold E. Cooley care Tobacco Subcommittee hearings and Watkins Abbitt, chairman of Tobacco Subcommittee hearings, State Highway Department Building Auditorium, Raleigh, N.C. by G. Fred Steele Republican candidate for Congress Fifth Congressional District.

Following responds your invitation for interested person submit views to Tobacco Subcommittee. Regret previous commitment prevents personal appearance. Subjects announce your subcommittee deserve careful consideration. However another potentially critically tobacco problem not receiving attention deserved. Refer to probability that 1967 tobacco sales will have dangerous shortage qualified graders. Poor grading will cost farmers untold millions.

Earlier this year U.S. Agriculture Department refused reconsider ruling which in effect drastically reduced pay of tobacco graders. Several top graders have already quit and many others say this their last year. There are more than 400 of these vital experienced men. They are essential to fair tobacco prices and require fair pay. Inexperienced graders will destroy entire price support system based on expert grading for more than 20 years. This is false economy by USDA. Remind you that USDA spending up 22 percent since 1960, while farm population down 20 percent, tobacco program apparently only one under economy axe. Many growers and others in Fifth District apprehensive that our Congressmen have delayed too long in attacking the problem. Urge Tobacco Subcommittee Act now. Before best graders lost to tobacco industry. Copy sent to United States Department of Agriculture, Washington, D.C.

Respectfully,

G. FRED STEELE, Jr.

WILLIAMSTON, N.C., October 13, 1966.

Congressman HAROLD D. COOLEY,  
Chairman, Agriculture Committee,  
Raleigh, N.C.:

We are against extending loose-leaf sales for a longer period of time. Instead of extending the time, we believe that time and grade that are to be sold loose-leaf should reverse back to the plan 1965. Selling all grades loose-leaf for 12 days is partially responsible for glut in market. Therefore, instead of farmers saving money, the price is lower. If we sell our tobacco loose, we will be in jeopardy of losing large portions of our foreign market.

C. U. ROGERS,  
H. L. BARNHILL,  
J. R. ROGERS,

Farmers and Tobacco Warehouse.

PINE LEVEL, N.C., October 11, 1966.

Hon. HAROLD D. COOLEY, Raleigh, N.C.

DEAR HAROLD: I am sorry I will not be able to attend the meeting Friday, about tobacco—I shall be out of town—I have talked to many of our farmers, and we would like to have all the tobacco in 1967 sold as loose leaf—all over the belt for the whole season, the tobacco will bring more sold this way, and due to the labor shortage, this will help all farmers.

We would like to see this done.

Best wishes in the coming campaign.

Yours,

W. B. OLIVER.

Mr. McMILLAN. I have a telegram that I have received from the South Carolina Tobacco Warehouse Association signed by Mr. Marion S. Fowler, executive secretary, which I should like to have placed in the record.

The CHAIRMAN. Without objection, that will be made a part of the record at this point.

(The telegram referred to follows:)

LAKE CITY, S.C., October 14, 1966.

Hon. JOHN L. McMILLAN,  
Tobacco Subcommittee,  
Raleigh, N.C.:

As result continuing critical labor shortage and failure tobacco prices paid tied tobacco to provide for adequate differential, grade basis, compared loose, urge loose leaf sales period cover entire season with full price supports and uniform grading thereon, thus giving growers optional basis for selling and ample time sell crop thus, realize such requires "spread-out" of season as some accommodation necessary to regulate better volume tobacco moving into trade channels, in given period time. We shall cooperate any plan fairly and equitably applied for this arranging sales in various belts in order meet requirements, and limitations

processing, redrying facilities. Will gladly give data, statistics and views in detail if desired thinks yours and committees interest.

MARION S. FOWLER,  
*Executive Secretary, South Carolina Tobacco Warehouse Association.*

The CHAIRMAN. I will next call Mr. Wade Stephenson of the Johnston County Farm Bureau, Smithfield, N.C.

(No response.)

The CHAIRMAN. It appears that Mr. Stephenson is not here. That ends the list of witnesses.

I would like now to ask if there is anyone else here who would like to be heard?

If so, indicate that by holding up your hand, and we will certainly be glad to hear you.

I would like to note the presence of Mr. Herman Odom, Commodity Committee on Tobacco, Claxton, Ga.

Do you desire to make a statement?

Mr. ODOM. No. Thank you.

The CHAIRMAN. If there is no one else wanting to be heard, declare the meeting adjourned.

(Whereupon, at 4 p.m., the hearing was concluded.)

○

I have the honor to acknowledge the receipt of your letter of the 14th inst. in relation to the above mentioned matter. I have the honor to inform you that the same has been referred to the proper authorities for their consideration. I am, Sir, very respectfully,  
 Yours truly,  
 J. H. [Name]  
 [Address]