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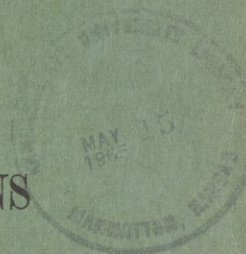
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**SUPPLEMENTAL APPROPRIATIONS FOR CERTAIN
ACTIVITIES OF DEPARTMENT OF AGRICULTURE, 1965**

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HEARINGS
BEFORE THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE



EIGHTY-NINTH CONGRESS

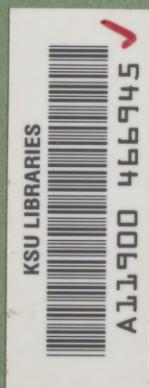
FIRST SESSION

ON

H.J. Res. 234

**MAKING SUPPLEMENTAL APPROPRIATIONS FOR THE FISCAL
YEAR ENDING JUNE 30, 1965, FOR CERTAIN ACTIVITIES OF
THE DEPARTMENT OF AGRICULTURE, AND FOR OTHER
PURPOSES**

Printed for the use of the Committee on Appropriations



SUPPLEMENTAL APPROPRIATIONS FOR CERTAIN ACTIVITIES OF DEPARTMENT OF AGRICULTURE, 1965

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EIGHTY-NINTH CONGRESS

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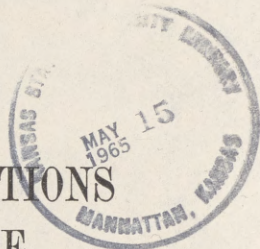
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WASHINGTON : 1965



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SUPPLEMENTAL APPROPRIATIONS FOR CERTAIN ACTIVITIES OF DEPARTMENT OF AGRICULTURE, 1965

MONDAY, JANUARY 25, 1965

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The committee met at 10 a.m., pursuant to call, in room 1223, Senate Office Building, Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Robertson, Holland, Byrd, McGee, Proxmire, Yarborough, Young, Mundt, and Allott.

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

STATEMENTS OF CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE; HORACE D. GODFREY, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; ROBERT P. BEACH, DEPUTY ADMINISTRATOR, MANAGEMENT, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE; AND C. E. ESKILDSEN, ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE

REIMBURSEMENT FOR NET REALIZED LOSSES

Chairman HAYDEN. The committee will be in order.

The President has transmitted a proposed supplemental appropriation request for the Department of Agriculture totaling \$1,742,209,000 in House Document 59. Mr. Charles S. Murphy, Under Secretary, and other officials of the Department, are here.

Since all of the proposed supplemental items pertain to the Department of Agriculture, I am asking Senator Holland, who is chairman of the regular subcommittee for the Department of Agriculture, to conduct the hearing, and to handle this supplemental request on the Senate floor and in the conference, should a conference be necessary. Mr. Holland.

Senator HOLLAND. Thank you, Mr. Chairman.

I request that House Document No. 59, proposing the supplemental appropriations for the Department of Agriculture, be made a part of the record at this point, together with the detailed justifications submitted by the Department of Agriculture in support of the proposed supplemental appropriations for fiscal 1965.

(The documents referred to follow:)

[H. Doc. 59, 89th Cong., 1st sess.]

COMMUNICATION FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING
PROPOSED SUPPLEMENTAL APPROPRIATION FOR THE FISCAL YEAR 1965 IN THE
AMOUNT OF \$1,742,209,000 FOR THE DEPARTMENT OF AGRICULTURE

THE WHITE HOUSE,
Washington, January 19, 1965.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to transmit herewith for the consideration of the Congress proposed supplemental appropriations for the fiscal year 1965 in the amount of \$1,742,209,000 for the Department of Agriculture.

The details of these proposed appropriations, the necessity therefor, and the reasons for their submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

LYNDON B. JOHNSON.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., January 18, 1965.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration proposed supplemental appropriations for the fiscal year 1965 in the amount of \$1,742,209,000 for the Department of Agriculture, as follows:

"DEPARTMENT OF AGRICULTURE

"COMMODITY CREDIT CORPORATION

"REIMBURSEMENT FOR NET REALIZED LOSSES

"For an additional amount to reimburse the Commodity Credit Corporation for unreimbursed net realized losses sustained during the fiscal year 1963, pursuant to the Act of August 17, 1961 (15 U.S.C. 713a-11, 713a-12), \$1,180,853,000.

"PUBLIC LAW 480

"For an additional amount for expenses during the fiscal year 1965, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1701-1709, 1731-1736), to remain available until expended, as follows: (1) Sale of surplus agricultural commodities for foreign currencies pursuant to title I of said Act, \$273,000,000; and (2) long-term supply contracts pursuant to title IV of said Act, \$233,400,000.

"INTERNATIONAL WHEAT AGREEMENT

"For an additional amount for expenses during fiscal year 1965 and unrecovered prior years' costs, including interest thereon, under the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642), \$54,956,000, to remain available until expended."

These proposed supplemental appropriations are to provide urgently needed funds to carry out the mandatory price support and related programs of the Commodity Credit Corporation. The funds would reimburse the Corporation for price support and related losses realized through the fiscal year 1963, and for costs incurred through fiscal year 1965 under Public Law 480 and the International Wheat Agreement.

The urgent need for funds arises primarily because of lower than estimated sales of feed grains and wheat, and larger than estimated production of cotton and tobacco. In addition, funds appropriated to reimburse the Corporation for its costs and losses were less than requested in the 1965 budget.

The amounts requested herein will be included in the totals of the budget to be transmitted to the Congress this month.

I recommend that the foregoing proposed supplemental appropriations be transmitted to the Congress.

Respectfully yours,

KERMIT GORDON,
Director of the Bureau of the Budget.

COMMODITY CREDIT CORPORATION

Reimbursement for net realized losses

(H. Doc. 59)

Appropriation to date (for partial restoration of prior years'

realized losses)-----	\$1, 574, 000, 000
Request (for 5½ months from Jan. 14, 1965)-----	1, 180, 853, 000

PROPOSED LANGUAGE

For an additional amount to reimburse the Commodity Credit Corporation for unreimbursed net realized losses sustained during the fiscal year 1963, pursuant to the act of August 17, 1961 (15 U.S.C. 713a-11, 713a-12), \$1,180,853,000.

EXPLANATION OF LANGUAGE

The proposed appropriation language provides for an additional \$1,180,853,000 to enable the Commodity Credit Corporation to carry out its mandatory price-support and related activities.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The borrowing authority of the Commodity Credit Corporation by law is used to finance price-support and related programs. Costs in excess of appropriations for Public Law 480, International Wheat Agreement, and other special export programs are also financed by the borrowing authority of the Corporation. Current projections of price-support activities clearly show that additional funds are needed to enable the Corporation to meet its mandatory obligations in fiscal year 1965.

Based on the use of borrowing authority as projected on the November crop production reports and related supply and utilization data on the 1964 crops, it is estimated that the available borrowing authority will be exhausted shortly.

Justification for supplemental estimate, fiscal year 1965

Project	Appropriation to date, 1965	Supplemental estimate, 1965	Revised total, 1965
Price support, export, supply and related programs-----	\$1, 574, 000, 000	+\$1, 180, 853, 000	\$2, 754, 853, 000

This supplemental estimate is required to enable the Commodity Credit Corporation to carry out its mandatory price-support programs in fiscal year 1965. At the time the 1965 budget was prepared, assuming enactment of appropriations requested, it appeared that the Corporation's borrowing authority would be sufficient to carry out authorized programs. Since then, a combination of circumstances which could not be anticipated, has adversely affected the timing of the use of borrowing authority resulting in heavier demands on the borrowing authority. Current projections indicate that the available borrowing authority will be exhausted shortly.

The significant changes from the 1965 budget are:

1. Congressional action on the 1965 appropriation requests resulted in about \$600 million less funds being made available to the Corporation than estimated in the budget for reimbursement for net realized losses, Public Law 480, and the International Wheat Agreement.

2. The 1965 budget assumed that cotton program costs would decrease \$200 million based on new legislation including an acreage diversion program for 1964 crop. New cotton legislation was enacted late in the season and did not include an acreage diversion program. As a result, the participation in the new domestic allotment program was lower than expected. The increased funds are needed primarily to meet the added cost of equalization and price-support payments.

3. An increase in expenditures for feed grains. Most of the increase is for advance payments due to an increase in estimated acreage to be diverted (from 25 to 35 million acres) under the 1965 program. The balance of the increase reflects reduced sales from CCC stocks since higher levels of corn stocks held by other than CCC are available to meet anticipated requirements.

4. In 1964, smaller export sales of wheat, smaller sales of feed grains and increased number of tobacco loans reduced the June 30, 1964, balance of available borrowing authority which had been planned for use in 1965.

It is proposed that a supplemental appropriation be provided in the amount of \$1,181 million consisting of unrecovered 1962 and 1963 realized losses. Approval of the proposed supplemental will make it possible to continue essential Commodity Credit Corporation operations consistent with current estimates and will allow for a reasonable margin for contingencies. Pending such approval, the Department is taking steps to reduce the rate of expenditures to the minimum to conserve the use of borrowing authority.

Following is a summary of the estimated status of the Corporation's borrowing authority, June 30, 1964, through June 30, 1965, by months.

Estimated status of \$14,500,000,000 borrowing authority—June 30, 1964, through June 30, 1965

[Millions of dollars]

Months	Without proposed supplemental appropriation			Proposed supplemental appropriations		Balance available with enactment of proposed supplemental appropriations	
	Borrowing authority in use			Balance available or deficit (—)	Commodity Credit Corporation		Public Law 480 and International Wheat Agreement
	Regular activities	Special activities	Total				
June 30, 1964 (actual) -----	13, 443	932	14, 375	125	-----	-----	125
FISCAL YEAR 1965							
July 1964 (actual) -----	12, 393	237	12, 630	1, 870	-----	-----	1, 870
August (actual) -----	12, 943	328	13, 271	1, 229	-----	-----	1, 229
September (actual) -----	13, 398	60	13, 458	1, 042	-----	-----	1, 042
October (actual) -----	13, 870	184	14, 054	446	-----	-----	446
November (actual) -----	14, 287	-105	14, 182	318	-----	-----	318
December (preliminary) -----	14, 629	-448	14, 181	319	-----	-----	319
January 1965 -----	14, 996	-282	14, 714	-214	-----	-----	-214
February -----	14, 895	-104	14, 791	-291	1, 181	561	1, 451
March -----	15, 037	54	15, 091	-591	1, 181	561	1, 151
April -----	14, 796	356	15, 152	-652	1, 181	561	1, 090
May -----	14, 700	533	15, 233	-733	1, 181	561	1, 009
June -----	14, 619	676	15, 295	-795	1, 181	561	947

Public Law 480

(H. Doc. 59)

Appropriation to date	\$1,867,453,000
Obligations to Dec. 31, 1964	1,867,453,000
Expenditures to Dec. 31, 1964	1,867,453,000
Request (for 5½ months from Jan. 14, 1965)	506,400,000

PROPOSED LANGUAGE

For an additional amount for expenses during the fiscal year 1965, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, as

amended (7 U.S.C. 1701-1709, 1731-1736), to remain available until expended, as follows: (1) Sale of surplus agricultural commodities for foreign currencies pursuant to title I of said act, \$273,000,000; and (2) long-term supply contracts pursuant to title IV of said act, \$233,400,000.

EXPLANATION OF LANGUAGE

The proposed appropriation language would provide funds to reimburse the Commodity Credit Corporation for 1965 costs in carrying out these programs which are estimated to be in excess of amounts provided in the 1965 appropriation as well as for unrecovered prior years' costs.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The 1965 budget reflected financing of title I 1965 costs on a pay-as-you-go basis, but the appropriation was \$281 million below the estimate. Based on the latest export estimates, 1965 requirements are at about the same level reflected in the budget. It is estimated that the borrowing authority of the Commodity Credit Corporation, which by law is used to finance costs of Public Law 480 programs in excess of appropriations for such programs, will not be sufficient to carry out its mandatory price support and related operations.

The title IV request of \$233,400,000 proposes full reimbursement to the Corporation for total amounts estimated to be due as of June 30, 1965, in order to relieve the drain on the Corporation's borrowing authority. This represents a change from previous practice under which appropriations were requested generally to cover only the difference between CCC costs and the agreement or export value to be paid by foreign governments less anticipated repayments during such fiscal year.

Justification for supplemental estimate, fiscal year 1965

Project	Appropriation to date, 1965	Supplemental estimate, 1965	Revised total, 1965
Sale of surplus agricultural commodities for foreign currencies (title I).....	\$1,612,000,000	+\$273,000,000	\$1,885,000,000
Commodities disposed of for emergency famine relief to friendly peoples (title II).....	220,453,000	-----	220,453,000
Long-term supply contracts (title IV).....	35,000,000	+233,400,000	268,400,000
Total.....	1,867,453,000	+506,400,000	2,373,853,000

This supplemental estimate is required to place financing of costs under title I on a current basis and to enable the Commodity Credit Corporation to carry out its mandatory price-support programs in fiscal year 1965. The 1965 appropriation was \$281 million less than the budget request. Current estimates indicate requirements for 1965 are at about the same level as proposed in the budget. Congressional action on the 1962, 1963, and 1964 appropriations placed financing of this program on a current or "pay-as-you-go" basis, in order to relieve the Corporation of the burden of financing it from its borrowing authority. This has the effect of maintaining the Corporation's capacity to deal effectively with its major responsibility of mandatory domestic price support and related operations.

The title IV request of \$233,400,000 proposes full reimbursement to the Corporation for total amounts estimated to be due as of June 30, 1965, in order to relieve the drain on the Corporation's borrowing authority. This represents a change from previous practice under which appropriations were requested generally to cover only the difference between total Commodity Credit Corporation costs and the agreement or export value to be paid by the foreign governments less anticipated repayments during the particular fiscal year. However, as this program has progressively increased, it is estimated that \$288.3 million of unrecovered costs will be due as of June 30, 1965. The Corporation bears this heavy charge against its borrowing authority which will not be collected for many years. Therefore, it is proposed to include the \$288.3 million less \$54.9 million of unused appropriations, or \$233.4 million in this supplemental appropriation request. This will relieve the borrowing authority for use in its mandatory price support and related operations. The foreign governments or private entities would continue to make repayments as stated in the agreements. As repayments are actu-

ally received each year, they will be applied against current costs. Therefore, future appropriations will cover estimated gross costs less anticipated repayments during the year.

Based on the use of borrowing authority as projected on November crop production reports and related supply and utilization data on the 1964 crops, it is estimated that the available borrowing authority will be exhausted shortly.

PUBLIC LAW 480

Program and financing

[In thousands of dollars]

	Presently available, 1965	Revised estimate, 1965	Increase
Program by activities:			
1. Sale of surplus agricultural commodities for foreign currencies (title I).....	1,612,000	1,885,000	273,000
2. Commodities disposed of for emergency famine relief to friendly peoples (title II).....	220,453	220,453	-----
3. Long-term supply contracts (title IV).....	35,000	268,400	233,400
10 Total program costs, funded—obligations (object class 41).....	1,867,453	2,373,853	506,400
Financing:			
40 New obligational authority (appropriation).....	1,867,453	2,373,853	506,400
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures).....	1,867,453	2,373,853	506,400
90 Expenditures.....	1,867,453	2,373,853	506,400

International Wheat Agreement

(H. Doc. 59)

Appropriation to date.....	\$31,838,000
Obligations to Dec. 31, 1964.....	31,838,000
Expenditures to Dec. 31, 1964.....	31,838,000
Request (for 5½ months from Jan. 14, 1965).....	54,956,000

PROPOSED LANGUAGE

For an additional amount for expenses during fiscal year 1965 and unrecovered prior years' costs, including interest thereon, under the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642), \$54,956,000, to remain available until expended.

EXPLANATION OF LANGUAGE

The proposed appropriation language would provide an additional \$54,956,000 during the fiscal year 1965 for unrecovered 1964 costs, \$25,179,472 and estimated 1965 expenses, \$29,776,528 under the International Wheat Agreement. The funds are required to reimburse the Commodity Credit Corporation for its costs in carrying out this program in excess of the amounts provided in the 1965 appropriation.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The increase is required because the new wheat legislation resulted in prices which indicate the need for export payments for which no appropriation was requested. Also, the 1965 appropriation contemplated shipments in 1964 of 160 million bushels. However, actual shipments in 1964 amounted to about 220 million bushels, thus increasing unrecovered costs by over \$25 million. The 1965 budget provided for unrecovered 1964 costs and only administrative expenses in 1965. It had been assumed that the domestic market price of wheat would fall below the competitive world price in fiscal year 1965 and that no export payment would be required.

Justification for supplemental estimate, fiscal year 1965

Project	Appropriation to date, 1965	Supplemental estimate, 1965	Revised total, 1965
International Wheat Agreement.....	\$31,838,000	\$54,956,000	\$86,794,000

This supplemental estimate is required to place financing of costs under the International Wheat Agreement on a current basis and to enable the Commodity Credit Corporation to carry out its mandatory price-support programs in fiscal year 1965. Congressional action on 1962, 1963, and 1964 appropriations placed financing of the International Wheat Agreement on a current or "pay-as-you-go" basis in order to relieve the Corporation of the burden of financing these programs from its borrowing authority. This has the effect of maintaining the Corporation's capacity to deal effectively with its major responsibility of domestic price support.

The increase of \$54,956,000 is required because:

(1) The new wheat legislation has resulted in wheat prices which indicate the need for export payments of about \$29.8 million (110 million bushels at \$0.26 per bushel, plus operating costs and interest);

(2) Unrecovered costs of fiscal year 1964 shipments are about \$25.2 million more than provided for in the 1965 appropriation, resulting from actual 1964 shipments of 220 million bushels, or 60 million bushels more than the 160 million bushels anticipated.

The 1965 budget provided for estimated unrecovered 1964 costs and only administrative expenses in 1965. It had been assumed that the domestic market price of wheat would fall below the competitive world price in fiscal year 1965 and that no export payments would be required.

Current projections of the use of borrowing authority based on November crop production reports and related supply and utilization data on the 1964 crops, show that the Corporation's available borrowing authority will be exhausted shortly.

INTERNATIONAL WHEAT AGREEMENT

Program and financing

[In thousands of dollars]

	Presently available, 1965	Revised estimate, 1965	Increase
Programs by activities:			
10 International Wheat Agreement (costs funded—obligations) (object class 41).....	31,838	86,794	54,956
Financing:			
40 New obligational authority (appropriation).....	31,838	86,794	54,956
Relation of obligations to expenditures:			
70 Total obligations (affecting expenditures).....	31,838	86,794	54,956
90 Expenditures.....	31,838	86,794	54,956

HOUSE DOCUMENT 59 APPROPRIATION ITEMS

Senator HOLLAND. There are four appropriation items in House Document 59, as follows:

First, the largest amount proposed is \$1,180,853,000 to reimburse the Commodity Credit Corporation for realized losses resulting from mandatory price support and related program operations.

The regular Appropriation Act for 1965 provided \$1,574 million, instead of the \$1,724 million then requested to partially reimburse the CCC for losses in fiscal 1963, amounting to a total of \$2,654,853,000. The proposed supplemental requests an appropriation for the balance of unreimbursed losses for 1963 of \$1,080,853,000, together

with \$100 million of unreimbursed balance for realized net losses for fiscal 1962.

The next two items deal with appropriations for expenses under Public Law 480 amounting to \$506,400,000 in connection with the operation of Public Law 480. The first item proposed is for an additional amount of \$273 million for sale of surplus agricultural commodities for foreign currencies under title I of the act, and the second item proposes an additional appropriation of \$233,400,000 for long-term supply contracts pursuant to title IV of the act.

The supplemental estimate for the International Wheat Agreement is \$54,956,000. The regular agriculture appropriation bill carried \$31,838,000 which, together with the supplemental estimate, would make a revised total available for 1965 of \$86,794,000.

Unless there are further questions, you may proceed with your statement, Mr. Godfrey, or perhaps Under Secretary Murphy wants to lead off.

STATEMENT OF UNDER SECRETARY MURPHY

Mr. MURPHY. Well, thank you, Mr. Chairman. I would only like to say that we are grateful to the committee for arranging to hear us this morning in support of this request for supplemental appropriations. We know it is early in the session. The need that we have for this appropriation is urgent and immediate, so we are grateful to you for arranging to hear us now, and we do hope that action can be taken promptly.

Mr. Godfrey is here with a prepared statement, and he is the Administrator of the Agricultural Stabilization and Conservation Service, and the Executive Vice President of the Commodity Credit Corporation. If he might present his statement at this time, we would appreciate it.

Senator HOLLAND. All right, Mr. Godfrey, we will be glad to hear you.

STATEMENT OF AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE ADMINISTRATOR GODFREY

Mr. GODFREY. Mr. Chairman and gentlemen, I would like to discuss the need for the three supplemental 1965 appropriations to finance the operations of CCC, first the reimbursement for net realized losses, \$1,181 million: Public Law 480, \$506 million; and the International Wheat Agreement, \$55 million, making a total of \$1,742 million.

The estimate of \$1,181 million will restore all of the corporation's losses through fiscal year 1963 except for the \$1,057 million remaining from the inventory revaluation in 1961.

UNREIMBURSED CCC LOSSES

Senator YOUNG. Could I ask a question at this point?

How much losses of the Commodity Credit Corporation won't be restored by this appropriation?

Mr. GODFREY. There will be \$1,057 million remaining from the revaluation of inventories of 1961, plus the losses that have occurred for 1964 and 1965.

REIMBURSEMENT FOR PRIOR YEARS' LOSSES

Senator YOUNG. Are there any prior losses that will not be reimbursed?

Mr. GODFREY. The total of 1964 is \$3,226,769,976, and in 1965, through November 30, the total is \$1,654,878,722.

Senator YOUNG. What I am trying to get at is this: What is the amount that the Commodity Credit Corporation will not be reimbursed for; supposing we grant your request now?

Mr. BEACH. The losses for fiscal 1964 would be the basis for the 1966 budget estimates. The losses for the 1965 fiscal year would be the basis for the 1967 budget estimate. The losses that are not reimbursed by this supplemental, which would be what we might call due at this time, would be the \$1,057 million of revaluation loss that occurred in 1961, but the total, to get at what you are saying, even though it is all not due yet to be reimbursed, would be in the neighborhood of \$5.9 billion through November 30, 1964.

Senator YOUNG. This would be all of the outstanding losses from the start of the Commodity Credit Corporation operations?

Mr. BEACH. That have not actually been reimbursed to the Corporation, after this supplemental.

Senator YOUNG. All right.

Senator HOLLAND. If I understand it rightly, you are asking to be completely reimbursed for all years prior to 1964 except for the revaluation of 1961.

Mr. GODFREY. That is right.

Senator HOLLAND. Did you have a revaluation of 1962?

INVENTORY REVALUATION OF 1961

Mr. GODFREY. No, sir. The revaluation at the end of the fiscal year 1961 has been taken into account, leaving out the charges that had accrued on the commodities since we had acquired them, such as storage, transportation, and so forth.

Senator HOLLAND. I understand what the revaluation of 1961 was, but is there a similar revaluation for 1962?

Mr. GODFREY. Since that time we have been keeping our books on that basis, counting the charges as a loss when they occur.

Senator HOLLAND. In other words, your revaluations for 1962 and 1963 are included in the reimbursement for net realized losses which you are claiming in this bill, the total of \$1,181 million.

Mr. GODFREY. That is right. They are no longer revaluations but charging the items as losses as they occur.

Senator HOLLAND. Why have you not brought forward the revaluation on 1961, in the amount which you mentioned, of \$1,057 million?

Mr. GODFREY. This has been administration policy, Senator, as to what they would ask for.

PUBLIC LAW 480 LOSSES

Senator ROBERTSON. May I ask him a question?

The letter to the President from the Director of the Budget asking that you be reimbursed for losses under the Public Law 480 law for 1965 in the sum of \$1,742 million, that is in excess of other losses. What were your total losses for that fiscal year under this program?

Mr. GODFREY. The total losses for 1963, you mean?

Senator ROBERTSON. No; it is not 1963. It is fiscal 1965. It seems that you operate 1 or 2 years behind when your losses are, but he says in his letter, "During the fiscal year of 1965." That is the present year. He wants you to be reimbursed. I wanted to know when these losses were sustained, and what the total of the losses were.

Mr. MURPHY. Might I undertake to explain that, subject to correction from my colleagues if I should not explain it correctly?

STATUS OF PUBLIC LAW 480 APPROPRIATIONS

In the case of the appropriations for Public Law 480, Senator Robertson, for the most part the appropriations are made in advance of expenditure. To the extent the appropriations made in advance are not sufficient to carry on the operations under Public Law 480, we are authorized to use funds of the Commodity Credit Corporation which are subsequently reimbursed by later appropriations.

It is my understanding that with respect to fiscal 1965, the funds appropriated for Public Law 480, in advance, in the regular appropriation bill last year, were not sufficient to meet what is now estimated to be the expenditures for all of this fiscal year, and this is now a request for sufficient amount of money to complete the operations under Public Law 480 for this fiscal year.

ESTIMATES

Senator ROBERTSON. Well, now, right there, your request is to supplement the Department of Agriculture by \$1,742,209,000. On January 22 last, I made a statement on the floor of the Senate in commenting on your budget at that time in which I said that the budget in my opinion underestimated the costs of the price-support program by \$1 billion. Now, we will get today a budget message which will ask for supplemental appropriations in excess of \$6 billion, and here we have a supplemental of \$1,700 million. Now, I would like to know several things.

Whose fault was it that the costs of CCC were underestimated last January by \$1,750 million? That isn't any small margin of error.

Second, how much of what we are to appropriate today goes for our own price supports and how much goes to the sale at less than cost of surplus farm commodities?

USE OF FOREIGN CURRENCIES

Third, what are we losing each year on the sale of farm commodities for soft currencies, because when we come to appraise what we are doing for those who are hungry and ill clad and ill fed and ill housed all over the world, this adds up to some free food?

Then I want to know what becomes of these soft currencies and why can't we use what soft currencies we have instead of keeping on sending dollars abroad to come back as a demand against our almost vanishing surplus of gold?

(The information referred to follows:)

BORROWING AUTHORITY, FISCAL YEAR 1965

CCC will use its borrowing authority to a greater extent than estimated in the 1965 budget due to:

1. Congress appropriated less funds than were requested in the 1965 (Millions) budget----- +\$478

	Budget as amended	Appro- priation	Change
Commodity Credit Corporation re- imbursement for net realized losses	\$1,724	\$1,574	+\$150
Foreign assistance programs:			
Public Law 480:			
Title I-----	1,893	1,612	+281
Title IV-----	55	35	+20
Bartered materials-----	120	93	+27

2. Interest-free borrowings as proposed in appropriation language was
stricken in the House on a point of order----- +140
3. Reduction in carryover balance of 1964 borrowing authority esti-
mated to be available in 1965----- +371
- (a) Lower CCC sales of wheat primarily resulting from
 Russian wheat sale not reaching anticipated
 level----- +283
- (b) Smaller sales of feed grains due to lower domestic
 utilization and increased production----- +225
- (c) Increased tobacco loan activity due to record yield
 and decreased utilization from smoking-health
 controversy----- +207
- (d) Lower shipments under Public Law 480 due to use of
 time drafts to conserve borrowing authority and
 title IV programing (and shipments) not reach-
 ing expectations----- -400
- (e) All other----- +56
4. Increased expenditures in 1965 primarily for acreage diversion under
the feed grain programs and cotton program----- +753
- (a) Increased advance feed grain payments due to in-
 crease in estimated acreage diverted under the
 1965 program and reduced CCC sales since higher
 levels of corn stocks held by other than CCC are
 available to meet anticipated requirements----- +240
- (b) The lateness of the cotton legislation and the elimi-
 nation of the diversion feature assumed in the
 Budget resulted in anticipated savings not being
 realized. (Increase is primarily equalization and
 price support payments)----- +543
- (c) All other----- -30

Amount of 1965 supplemental estimate----- +1,742

Of the total request of \$1,742 million, \$1,181 million represents realized loss in the fiscal years 1962 and 1963 on price support and related operations. A major part of this loss represented loss on sales, donations and carrying costs related to commodities acquired under price-support operations. Also included were export payments and acreage diversion payments on feed grains and wheat. Interest costs and operating expenses are also included.

Net costs: Public Law 480, sales of surplus agricultural commodities for foreign currencies, title I enacted July 10, 1954

Fiscal year:	Amount (in millions)
1955-----	\$64.9
1956-----	555.1
1957-----	1,338.8
1958-----	1,058.5
1959-----	979.5
1960-----	1,058.0
1961-----	1,355.7
1962-----	1,404.8
1963-----	1,525.5
1964-----	1,636.2
Total through 1964 (actual)-----	10,977.0
1965 (estimate)-----	1,430.0
Total-----	12,407.0

(The other material requested is on p. 68.)

Senator ROBERTSON. I have to start hearings next Tuesday on the gold situation. They want to take the 25 percent backing off of the currency that is in the Federal Reserve bank. We will leave it on deposit but they say that we have to have \$4 or \$5 billion more of free gold right now because of the dollar demand.

Now, there are some of the issues that are presented right now to this committee and I think that we ought to have a full record on that subject.

QUESTIONS ON THE PROGRAM

Mr. MURPHY. Senator Robertson, I think the questions that you raise certainly are relevant and appropriate. A good many of them, and the ones that relate principally to the central issue here, are covered by Mr. Godfrey's prepared statement. If he might complete that, I think that that will answer a good many of the questions.

There are other questions which you raise which I think we can answer now, by way of supplementing Mr. Godfrey's statement. I must say in all candor, I think that there are some questions that you raise which are beyond my competence to answer.

Senator ROBERTSON. You are the most competent we have and we have known you for a long time. If it is beyond yours, it is beyond ours, too.

GOLD RESERVES

Mr. MURPHY. When it comes to the matter of having gold reserves, that is a field that I am not familiar with.

Senator ROBERTSON. If the prepared statement does not adequately answer all of the questions that I have just presented, will you see that it is supplemented for the record?

Mr. MURPHY. We will be glad to, Senator.

Senator ROBERTSON. Then I won't bother you any more.

Senator HOLLAND. Let me say that I thoroughly agree that each of the questions raised by Senator Robertson is a pertinent one and there should be some answer, except as to the question on gold reserves, which I think his committee should go into and handle.

SEPARATION OF ITEMS

But what I should like for us to do would be to keep the items separate in this statement and I hope Mr. Godfrey will do that. Then when we conclude, with each item, we can go into that just as thoroughly as any member of the committee may desire. The first item is, of course, the reimbursement of the net realized losses of the CCC growing out of direct CCC operations. The second relates to Public Law 480 and the third deals with the International Wheat Agreement.

So I would hope now, since the first item is involved and complicated enough by itself, we would stick for a little while to the net realized losses of the CCC out of domestic operations.

Mr. MURPHY. We will be glad to proceed in that way, Senator.

FOOD PURCHASES WITH SOFT CURRENCIES

Senator ROBERTSON. I have just one other question that I would like to ask, Mr. Murphy.

Do we have an agreement with all of the countries, or some of the countries buying food with soft currencies below our support price, that we will not use those currencies? I would like to have that answered because if we can use them, I can find a good many ways where they can save us dollars. If we have an agreement that we won't use them, that is something else.

Mr. MURPHY. Would you like us to get into that at this time? This is a complicated question and the answer is a lengthy and complicated answer.

(The information referred to appears on p. 68.)

Senator HOLLAND. At the appropriate time when we discuss Public Law 480, I think that would be a good question and it should be gone into but right now, if we may stick to the question of the net realized losses of CCC under its domestic operations, which is the largest part of this proposed supplemental request, I think that we will find a simplified record. We will stick first to the domestic part of CCC, next we will go to Public Law 480, and then we will go to the International Wheat Agreement. Each of them is complicated enough by itself.

All right, Mr. Godfrey.

PENDING ESTIMATE FOR PUBLIC LAW 480

Mr. GODFREY. Well, continuing, the estimate of \$506 million covers the estimated costs of titles I and IV of Public Law 480 through the current fiscal year in excess of available appropriations.

APPROPRIATIONS VERSUS BUDGET ESTIMATES

Senator HOLLAND. Just a moment. You say Congress has appropriated less than the full amount of Commodity Credit Corporation losses as authorized by law. It is also a fact that the Department has never asked for the full amount of the accrued losses in its annual budget, in any year, in recent years. You didn't do it in your showing last year for the fiscal 1965 appropriation; isn't that correct?

Mr. GODFREY. We have not asked for the loss resulting from the revaluation of 1961.

Senator HOLLAND. You didn't ask for the full realized losses for either 1963 and 1964. That is correct; isn't it?

Mr. GODFREY. 1964 isn't due yet. It will come up in the 1966 budget today. But for 1963 we did ask for what we estimated would be the total need.

BUDGET ESTIMATES UNDER FULL LOSSES

Senator HOLLAND. That isn't my recollection. My recollection is that you asked for a total of \$1,724 million-plus, and that the Congress supplied you \$1,574 million, but at that time my recollection is that you stated that the total reimbursement of CCC for losses in fiscal 1963 was about \$2,654 million. Is that correct or not?

Mr. GODFREY. We could have asked for \$930 million more.

Senator HOLLAND. That is the point I am making. The Department and the Budget Bureau in each recent year haven't faced the problem fully, but have, instead, asked for a part of the realized losses, stating that their estimate of the full realized losses was a sizable, larger amount, some \$900 million more last year. I think, therefore, that the Congress was entirely within its rightful jurisdiction in saying that since there was so much difference of opinion already within the Department as to how much it needed, and as to how much it estimated would be the full loss, Congress reduced somewhat what you requested as needed at that time.

The point I am making is that there has never been, since I have served as chairman of this subcommittee, any request for the full realized losses in the annual budget request. Am I right or wrong?

Mr. GODFREY. You are right, essentially, sir.

Senator HOLLAND. I wanted that to be clear in the record.

ADMINISTRATION BUDGET POLICY

Senator McGEE. Could I ask a question there?

Was there in the Department disagreement on what the losses would be, or was the disagreement over whether to ask for all of them or how much to ask for?

Mr. GODFREY. The losses were established, but it was an administration policy as to what would be asked for.

Senator McGEE. There was no disagreement over what the losses would be?

Mr. GODFREY. No, sir.

Senator HOLLAND. Of course, there were disagreements as to the revaluation procedure that year. The revaluations since were not as great as it was for the 1 year which you haven't yet claimed (namely, fiscal 1961) which I understand now is still unasked for in the amount of \$1,057 million. This indicates that there have been some amounts of losses carried forward each year in a somewhat indeterminate stage. Certainly the balance for the one in 1961 has never been asked for as a reimbursement to CCC. You are saying now, in your statement, that you are not asking for it at this time; isn't that correct?

Mr. GODFREY. That is correct.

Senator HOLLAND. The point I am getting at is that there are so many complications. I am not trying to fix any blame, I am just trying to show that Congress has some right to have some flexibility

in its judgment just as the Department has shown flexibility in its judgment, and I think that it had a right to do that. I don't say it was not frank to the Congress, because as I understood it, last year in asking for the amount which you asked for, which I have already stated was \$1,724 million, you stated that that was \$930 million less than the entire amount which at that time you thought would reimburse the Corporation.

Now, is that right or wrong?

Mr. BEACH. That statement is correct.

POLICY ON APPROPRIATIONS TO COVER LOSSES

Senator HOLLAND. That is the point I am trying to make. I am not throwing any bricks at the Department, and I do not want the Department throwing any bricks at the Congress, because it is very clear as we were considering these requests that we were not attempting a full reimbursement.

I have had to carry the burden of these requests on the floor and I have stated that very frankly, and I think that the Department has to be equally frank. I do commend the Department for your present statement in that you make it very clear that you are carrying over an unreimbursed large amount, even as far back as 1961 in the total of \$1,057 million.

I am completely in sympathy with Senator Robertson and other Members of the Senate who feel that these questions of policy as decided by the Department are very arguable questions, as to what should be the proper policy. We may in this committee find it difficult to agree with the Department on the policy which it now advances. But at least I want the Department to always be frank with this committee and state what is the policy and what it is you are holding back in that every year you fail to ask for full reimbursement.

Let us not leave that in question, because that is a fact, and because the Congress has sometimes felt that it is better to wait until the picture was clearer before attempting to make full reimbursement.

DEFICIENCIES IN ESTIMATES AND AMOUNTS APPROPRIATED

Mr. MURPHY. If I might comment on that, Senator Holland, it is true that the administration has requested something less than full reimbursement from time to time, and that the Congress has appropriated something less than enough money to provide full reimbursement.

It seems to me that that is not only justifiable but probably a wise policy to have followed. I make no apologies for it so far as the administration is concerned, and certainly I plan no criticism for it as far as the Congress is concerned. It is my feeling, at least, to the extent that I have participated in setting what the administration request would be, that we should not request the appropriations of unnecessarily large amounts of money beyond what there was any likelihood that we would need to carry on the operations of the Commodity Credit Corporation.

If the Congress has felt that it was not appropriate to appropriate amounts of money that were larger than necessary to provide a reasonable operating margin, I would certainly think that there was no criticism to be implied from our standpoint.

Senator HOLLAND. I have one more statement so that we can have this clearly in the record.

VIEWPOINT OF DEPARTMENT ON APPROPRIATIONS

The Department has decided upon the policy which it would follow and it has a right to have a policy, and that policy has been as I have understood it that it wanted to ask for enough to make sure that the CCC would be solvent, and able to operate throughout the year covered by the particular appropriations.

Mr. MURPHY. Yes.

Senator HOLLAND. And without a view at all of completely reimbursing the CCC and leaving it in a fully reimbursed situation.

WAIVING OF INTEREST ON PRIOR YEAR'S LOSSES

Mr. MURPHY. That has been the general policy, which has been followed here in the last several years. On this point, I would like to add just one other comment, please.

One of the problems that this has left us with is the payment of interest on the amount of money which was not reimbursed, and for which reimbursement was not requested. We have continued to pay interest to the Treasury Department and that represents a charge, of course, against the budget of the Commodity Credit Corporation, and in general, against the agricultural price support program.

Last year we recommended that in the Appropriation Act, a provision be included which would permit the waiving of interest or permit not paying interest on this part of the net realized loss after a certain period of time. That provision was included in the bill as reported from the House committee, but was deleted on the floor of the House of Representatives on a point of order.

I hope very much that either in the Appropriation Act this year, or by enabling legislation, some provision can be made so that we will not have to continue to pay and be charged with interest for this money. If it is never going to be an appropriation to reimburse these losses, it seems to me that we should not continue indefinitely to pay this interest.

Senator HOLLAND. I was sorry that it was stricken on that point of order, but probably it would have had the same fate over here if it had originated in the Senate, but if it had come over from the House in the bill, it would not have been subject to the same point of order.

REIMBURSEMENT APPROPRIATIONS FOR LOSSES

I am going to yield to Senator Young, but first I would like to mention that the members of this committee have been, I won't say dissatisfied with the way this item has been carried along, but we have questioned the wisdom of not facing up to the problem year after year and reestablishing the complete original situation of CCC. The carrying over of this large balance of admitted and uncompensated for loss has raised continuous questions, and I think it will continue to do so

as long as that is the case. But it is a question of policy. I think we understand each other clearly.

POLICY OF FULL REIMBURSEMENT APPROPRIATION

Senator YOUNG. Not asking for full reimbursement of losses has been a policy for a number of years, has it not? How far back does it go?

Mr. GRANT. I believe, Senator Young, that the 1965 budget, covering losses for 1963, was the first year we did not ask for full restoration in the budget, except for the 1961 revaluation which the chairman was talking about.

USE OF BORROWING AUTHORITY

Senator YOUNG. I would like to ask a question. What is the total borrowing authority?

Mr. BEACH. \$14½ billion.

Senator YOUNG. Can you give us an accounting of this \$14.5 billion, and can you break that down into what has happened to this \$14.5 billion? I understand that you are about out of money now.

Mr. BEACH. We had as of Friday, a balance of about \$42 million left. As to the total use of that, the last full accounting we had was as of November 30, and at that time we had \$7.2 billion invested in loans and inventories.

Senator YOUNG. In loans and inventories?

Mr. BEACH. Yes, sir.

Senator YOUNG. How much does CCC own now in commodities?

Mr. BEACH. As of November 30, we had \$4,750 million invested, at acquisition costs, in inventories, and we had \$2,449 million in loans, and it has changed slightly since that time.

Senator YOUNG. Where is the rest of the money?

Mr. BEACH. The rest of the money is tied up in unreimbursed losses, primarily.

Senator YOUNG. How much is that?

Mr. BEACH. We had a total of \$7,120 million of unreimbursed losses as of November 30. Part of those, as we mentioned, would be included in the 1966 and 1967 budgets in the normal course, but the portion represented by the \$1,081 million for 1963 and \$100 million for 1962 that we are asking for in this supplemental was also included.

Senator YOUNG. Would you repeat that?

UNREIMBURSED REALIZED LOSSES

Mr. BEACH. The portion of the \$7.1 billion of realized losses that we mentioned, represented by the portion that we asked for in this supplemental, is \$1,180.9 million. That represents the remainder of the 1962 loss and the remainder of the 1963 realized loss. There is in addition \$1,057 million that Mr. Holland has pointed out, represented by the inventory revaluation loss which was taken in 1961.

Then there are losses that were taken in 1964 which will be the base for the 1966 appropriations, amounting to \$3,227 million, and losses

that were taken thus far through November of 1964 of \$1,655 million. That adds up to \$7.1 billion.

Senator YOUNG. Those are losses that CCC has not been reimbursed for?

Mr. BEACH. That is right. Which means we had borrowed this money from the Treasury, and we had not repaid the Treasury because the money had been lost or expended.

If you add the \$7.1 billion to the \$7.2 billion that I referred to earlier as investment in loans and inventories, you come up approximately to the borrowing power used.

PUBLIC LAW 480 LOSSES OR COSTS

Senator YOUNG. What part of this \$7 billion is represented by losses or costs of Public Law 480?

Mr. BEACH. None. Public Law 480, except for the balance for 1965 that we are asking for in this particular supplemental, is on a pay-as-you-go basis.

Senator YOUNG. This \$7 billion, does this include your inventories where actual losses have not been established yet?

Mr. BEACH. This includes only realized losses, losses which have actually been taken. It includes all of the acreage diversion costs, and price-support payment costs as well as loss on sales, primarily.

Senator YOUNG. How much are the storage payments?

Mr. BEACH. Including the storage?

Senator YOUNG. How much are the storage payments?

BASIC NEED FOR SUPPLEMENTALS

Mr. BEACH. In the last year (fiscal year 1964), it ran about \$365 million.

Senator HOLLAND. Well, the reason why, if I understand it, you run short now, is because you have this total realized loss that you have not had restored of something over \$7 billion, and you have this additional large investment in stocks on hand, to an amount that practically uses up your entire borrowing power, the \$14 billion; is that right?

Mr. GODFREY. This is it, exactly.

Senator HOLLAND. Well, I am completely sympathetic with Senator Young, and Senator Robertson and other Senators who feel like this is not a good situation, but I want to bring in now a point that I am less satisfied with.

INCLUSION OF NONAGRICULTURAL COSTS

The point I want to make is you have mixed in this actual cost of the agricultural programs so many items for which agriculture has not received any benefit at all. One of them which you mentioned yourself is this large interest accumulation on realized losses. We all know these interest payments did not go into the pockets of any agricultural producers in any way.

Senator YOUNG. Much of it is storage payments.

Senator HOLLAND. Yes, and another item is losses under the various operations of Public Law 480 which is operated unlike our domestic program in that it carries all of this material forward.

Most titles of Public Law 480 are operated on a current basis from year to year whereas losses incurred under CCC go to prior years. The result of this problem is to make it look like it benefits agriculture and agricultural programs whether we approved these programs or not, and most of us approved most of them. They appear to have cost a great deal more than they actually have.

LAG IN APPROPRIATIONS FOR TRULY AGRICULTURAL COSTS

In my opinion, this is the most objectionable part of this whole situation. We may have more to say about that when we get through this statement and the committee may have things to say that I can't foresee now. But it is just getting where it is more and more apparent that it is wrong to carry the domestic program in the last position, since it carries all of these revaluations and all of these accumulated losses, and all of this interest that is paid out for which agriculture gets no benefit at all. That is what the picture looks like, and it is not that way, in fact and in truth. That is what I object to more than any other feature of this whole problem. I think this is a questionable policy.

As to whether there is any alternative policy to bring about a better situation, that is something which I think this committee has to look into.

NEED FOR IMPROVED CLASSIFICATION OF FARM PROGRAM COSTS

Mr. MURPHY. We thoroughly agree that many expenditures are charged up to the agricultural program that should not be charged up to the agricultural program, and we will be glad to cooperate in any way that we can to see that that situation is changed, and they are not charged up to agriculture.

Senator HOLLAND. We have requested that year after year after year, both from the legislative committee and from this Appropriations Committee and yet it seems to me right now that this whole burden, or much of it is going to fall on agriculture when it should not rightfully do so.

PUBLIC BELIEF

Senator YOUNG. The sad part of it is that the general public, or probably 90 percent of the people in the United States believe that farmers are actually getting subsidy checks for this \$7 or \$8 billion Agriculture budget. Most people believe this.

Senator HOLLAND. The time is coming, and the moment of truth is just about to arrive I think, when we have to face up to this thing, and separate out those parts of the program that deal with and benefits domestic agriculture, and it is large and was intended to be so by the Congress, and then show that part that does not go, and is not going now to any direct or indirect help to agriculture.

It takes a "Philadelphia lawyer" and a bunch of accountants and the Senate and House committees and yourselves and a lot of other good

people to figure out. I doubt even then if we get the right answer as to what part has gone to agriculture and what part has not. But we know it is very much less than the totals which appear in this unfolding picture here.

DONATIONS AND DISTRIBUTION PROGRAMS

Senator YOUNG. I wanted to ask one more question: What part of this accumulated loss is represented by the school lunch program and milk program?

Mr. BEACH. None of it.

Senator YOUNG. CCC has been reimbursed for that?

Mr. BEACH. Those are financed by separate appropriations; yes, sir. They are not included in this cost.

Mr. GRANT. Senator Young, I think what you might be asking about is the donations under section 416. Some of the donations under section 416 are included in this.

Mr. BEACH. To the extent that CCC has made commodities available over and above the regular school lunch appropriation, this would be a part of the regular CCC cost.

Mr. GRANT. We can put that figure in the record. I do not have it at the moment.

Senator YOUNG. What about famine relief? Is this covered under another part of the law?

Mr. BEACH. Famine relief is covered under Public Law 480.

Mr. MURPHY. That is in foreign countries; that is included under Public Law 480.

Senator YOUNG. Donations of food in this country does come under this?

Mr. BEACH. Yes; donations under section 416 are a part of CCC's realized losses.

Mr. GRANT. We make donations under section 416. These donations go to needy people in this country, and abroad and some are distributed to schools. We can give you a figure on that. It is included in this CCC item, though.

(The information referred to follows:)

Domestic and foreign donations of commodities from CCC inventories, fiscal years 1961-65, as of Nov. 30, 1964

(In thousands of dollars)

Commodity	Fiscal year 1961		Fiscal year 1962		Fiscal year 1963		Fiscal year 1964		Fiscal year 1965, as of Nov. 30, 1964		Grand total	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Beans, dry edible.....	4,101	---	5,312	2,827	8,800	4,686	5,425	157	3,520	117	27,158	7,797
Corn.....	5,083	698	653	1,074	2	1,864	20	1,679	26	412	1,244	5,497
Corn products.....	5,731	14,699	6,924	14,356	6,078	15,569	5,921	15,872	2,295	4,122	26,959	64,538
Grain sorghum.....	385	---	504	---	---	---	208	---	---	---	1,157	---
Rice.....	50	---	---	---	---	---	---	---	---	---	---	---
Rice, milled.....	11,169	15,115	14,821	1,04	11,452	43	13,807	38	5,022	---	56,297	15,102
Wheat.....	87	3,733	(¹) 308	2,225	(¹)	2,082	---	12,457	---	3,402	27	23,999
Wheat flour.....	23,195	57,459	30,308	71,627	29,067	64,894	27,810	85,629	10,505	13,081	191,185	265,770
Butter.....	10,926	---	69,663	61	113,456	6,019	126,494	24,973	7,132	157	327,671	31,220
Butter oil.....	---	---	---	(³) 10	20,929	14,233	(¹) 51,940	98,797	(¹) 2,952	9,629	(¹)	129,335
Cheese.....	---	---	47,454	---	55,076	14,233	51,940	10,895	2,952	---	155,192	16,189
Milk, dried.....	21,850	68,939	40,079	96,227	31,206	94,928	29,492	100,912	3,242	11,307	123,869	372,313
Milk, fluid.....	25,294	---	23,939	---	24,815	---	26,515	---	8,806	---	109,369	---
Cotton, upland.....	1	---	(¹)	---	(¹) 10	---	5	---	(¹)	---	---	---
Cotton, extra-long staple.....	4	---	3	---	4	---	2	---	4	---	26	---
Peanuts, farmers' stock.....	1	---	4	---	---	---	---	---	---	---	11	---
Peanuts, canned.....	---	1	---	---	---	---	---	---	---	---	---	1
Poultry products.....	---	32	---	---	---	---	---	---	---	---	35	---
Vegetable oil products.....	---	4,982	---	43,908	9,799	22,028	298	3,613	---	360	10,097	74,551
Wheat, rolled.....	---	---	4,462	---	5,950	1,085	4,283	2,597	1,470	1,289	16,155	4,801
Bulgur.....	---	---	---	3,448	39	12,299	403	15,190	167	5,839	6,629	39,706
Chickpeas.....	---	---	---	---	---	464	(²)	5,592	---	1,232	(²)	7,288
Soya grits.....	---	---	---	---	---	---	---	10	---	(¹)	---	10
Peanuts, shelled.....	---	---	---	---	---	---	---	---	---	---	---	---
Cottonseed oil, refined (salad oil).....	---	---	---	---	---	---	---	---	---	---	---	---
Total.....	103,857	165,298	245,556	235,712	293,774	290,883	292,688	345,347	43,171	57,629	979,046	1,064,869
Fiscal year totals (domestic and foreign).....	269,155	---	481,298	---	554,657	---	638,035	---	100,800	---	2,043,915	---

¹ Credit item.² Less than \$500.

RESTORATION OF REALIZED LOSSES

Senator HOLLAND. All right, thank you. Will you proceed, Mr. Godfrey?

Mr. GODFREY. I believe we have discussed this. Assuming approval of this supplemental request, there will still remain \$1.1 billion of un-restored losses relating to the 1961 revaluation of CCC inventories. As a result, the efficient operation of the Corporation has been impaired in recent years. Considerable difficulties have been encountered and extra costs incurred in attempting to keep within the limitation on borrowings in the absence of full restoration of capital impairment.

Senator HOLLAND. I think that is absolutely a correct statement in that paragraph. How do you propose to correct that lamentable situation?

Mr. GODFREY. We feel the request here, plus what is going forward in the 1966 budget, will correct this. We will have enough reserve to operate without any additional cost.

FULL RESTORATION OF CAPITAL IMPAIRMENT

Senator HOLLAND. Are you approaching, in the 1966 budget, what you referred to here as full restoration of capital impairment?

Mr. GODFREY. No, sir; we will not.

Senator HOLLAND. Then you won't fully get away from this practice?

Mr. GODFREY. We won't get away from it completely but we feel if we get reimbursed as requested here, plus full authority for what is requested in the 1966 budget, then we would have a margin which would permit us to operate.

Senator HOLLAND. By how much would you lack of the full restoration that you want eventually?

Mr. GODFREY. We would still be missing the \$1,057 million from revaluation of 1961, and then we would be on a par basis other than through losses for 1964.

REALIZED LOSSES FOR FISCAL YEAR 1964

Senator McGEE. Which you do not know yet.

Mr. GODFREY. We do know losses for 1964.

Senator McGEE. What are those losses, and what is the difference?

Mr. GODFREY. The losses for 1964 are \$3,226 million.

Senator McGEE. That would be added to the figure that you are requesting plus \$1,057 million.

Mr. GODFREY. I am not in a position to say what the budget will contain today when it comes forward.

Senator McGEE. Is that not in the budget? I think that budget is pretty much public property right now, is it not?

Mr. GODFREY. We are asking for \$2,300 million or \$926 million less than the actual losses.

INADEQUACY OF 1966 BUDGET REQUEST

Senator HOLLAND. You are continuing this policy?

Mr. GODFREY. We are asking for no more than we think is absolutely necessary to continue the operation.

Senator HOLLAND. You are just going to ask in the 1966 budget which comes forward today, for just enough, you think, to continue operating until you can get a supplemental bill through in the spring of next year?

Mr. GODFREY. We do not believe we will need another supplemental bill if we get the appropriation requested. We believe we could go forward and operate until the next budget request.

UNRESTORED CAPITAL IMPAIRMENT

Senator HOLLAND. But you still would be far short of what you have referred to here, I think, as the ultimate thing that you would like, and that is full restoration of capital impairment.

Mr. GODFREY. Assuming these appropriations are enacted, this would still leave us with unreimbursed losses of \$1,983 million.

Senator HOLLAND. Plus the revaluation.

Mr. GODFREY. That includes the revaluation.

Senator HOLLAND. It is practically \$2 billion?

Mr. GODFREY. Yes, sir; practically \$2 billion.

CONTINUATION OF PAST BUDGETARY POLICY

Senator HOLLAND. If this present request is granted in full, and if the 1966 budget request is granted in full, you would still be carrying forward an absence of full restoration of capital impairment, to use your language here, in the amount of about \$2 billion?

Mr. GODFREY. Yes, roughly \$2 billion.

Senator HOLLAND. Then that would be a continuation in large part of the policy which you have been following these last 2 years?

Mr. GODFREY. Yes, sir; and in the absence of the legislation that Mr. Murphy talked about, we would continue to pay interest on this to the Treasury, also.

Senator HOLLAND. All right.

ACCURAL OF INTEREST CHARGES

Senator ALLOTT. If I could just ask a question there, the statement was made awhile ago that you did not think that the interest should be charged as a part of this expense, yet you are continuing the policy which does continue the interest and you are not facing up to the problem so that it is probably chargeable against this cost of this program, is it not?

Mr. GODFREY. I think that you are right.

Senator HOLLAND. I do not think it is entirely right. I think that you have tried to face up to this interest part of it by requesting legislation which will obviate that part of it, but the policy that you are following would still preserve carrying forward the lack of full restoration in a very substantial amount, about \$2 billion.

Senator ALLOTT. Which does create interest charges.

Senator HOLLAND. It would unless the legislation which they have requested and which was stricken in the House last year on a point of order, were granted. But I think it is fair to say, if I have understood the situation, that they do not continue to approve of that. They have tried to correct that part of it. But you have continued

to approve policy which has carried forward restoration of substantially less than your full capital from year to year.

Mr. MURPHY. That is true, Senator, and I think in all fairness we should say that this is not a policy for which Mr. Godfrey and the people in ASCS bear the primary responsibility within the administration. I expect they are not particularly enthusiastic about it.

NEED FOR ADEQUATE OPERATING FUNDS

Senator HOLLAND. I have not so stated, and I am very sure from his statement he would much prefer to have full restoration because he speaks very hopefully here about full restoration of capital impairment, and I am sure that would please him best.

Mr. MURPHY. I think again in all fairness that I bear more of the responsibility for this than they do, although it is not entirely my decision. I agree thoroughly that the Commodity Credit Corporation should have ample operating funds so that it has a margin on hand at all times all through the fiscal year, and at the end of the fiscal year, which will permit it to operate in an even manner, so as not to incur additional expenses that we do incur from time to time, when you are limited or impeded by a lack of funds.

On the other hand, assuming, if we can, that you do have ample funds for operation without full restoration of the capital impairment, I think it is a different question if you should have this full restoration of capital impairment just for the sake of having that restoration.

That brings you to the question of whether or not funds should be appropriated beyond those that are necessary for operations with the ample operating margin. That is the policy that the administration has taken, and it has been reflected in the President's budget. Appropriation requests of the last year or two have been something less than the full restorations and are regarded as the better policy. It seems to me, at least, that there is much to be said for that position.

RESTORATION OF COMPLETE CAPITAL LOSSES

Now, on the other hand, if the Congress should appropriate additional funds to restore the capital losses completely, obviously we would be very glad to have the money. But I think the administration has not felt it wise to request these appropriations, and I certainly mean to imply no criticism of the Congress because it has not appropriated more than the administration has requested in this connection.

LEGISLATIVE POLICY ON REIMBURSEMENT FOR LOSSES

Senator HOLLAND. Is it not true that the Congress put itself on record as not favoring the policy that you followed when it passed legislation to the effect that it would not continue to cancel notes from year to year, but instead would insist upon reimbursement?

Mr. MURPHY. I am not personally familiar with that, Senator.

Senator HOLLAND. You do not remember that Congress passed that legislation?

Mr. GRANT. Yes, sir. Back, I believe, in 1954, Congress enacted legislation which stated that thereafter the capital of the Corporation would be restored on the basis of actual realized losses, rather than estimated realized losses, and that it be done by appropriation rather than by cancellation of notes.

(Public Law 312 approved March 20, 1954.)

Senator HOLLAND. Then the real question is whether or not the old method of having these losses just canceled out as we did for years should continue, or whether we should really reimburse the Corporation actually so that it would find its capital restored.

The policy which you have followed is neither fish, flesh, nor fowl. It is in between.

Mr. MURPHY. I think that is an appropriate description.

Senator HOLLAND. All right.

NEEDS FOR CARRYING ON OPERATIONS

Senator YOUNG. Could I ask this question: Would you need the full \$1,700 million to carry on your operations until your regular appropriation bill is passed later this year?

Mr. MURPHY. Our estimates are, Senator, to the effect that if this amount were appropriated we could come to the end of this fiscal year with something over \$900 million balance left.

Again, as you all know, we operate a program which is subject to wide variations in the timing of the demands that are made on the programs, and certainly that estimate is not precise. It may turn out to be low, and it may turn out to be high.

Senator HOLLAND. Or the appropriation bill might turn out to be late.

Mr. MURPHY. Yes.

Senator HOLLAND. It has been late several years.

ESTIMATED BORROWING AUTHORITY, JULY 1

Mr. MURPHY. That is our estimate now; \$947 million is the amount that would be in the balance at the end of this fiscal year if this money is appropriated.

Senator YOUNG. Do you have an estimate on the losses of price support operations for the current fiscal year?

Mr. BEACH. An estimate of the loss for the current fiscal year?

Senator YOUNG. Yes, on the losses of the price support operations, that is, the current price support operations, and do you have a breakdown on this for each of the commodities.

Mr. BEACH. Our estimate of the realized losses for the fiscal year 1965 for price support and related programs is \$3,209 million.

Senator YOUNG. How much of that is wheat and feed grains?

Mr. BEACH. Let us take feed grains, I can give you the individual commodities. For corn the total is \$1,079 million. Cotton is \$739 million. Wheat, without the wheat products, and just wheat, is \$152 million, and then you add to that the International Wheat Agreement, which would be another \$30 million. That is the cost of the International Wheat Agreement, which would not be in the realized losses.

Senator YOUNG. Your losses in the wheat program are way down.

Mr. BEACH. Yes, but you have a very large cost on Public Law 480. There is \$993 million in addition there.

Senator YOUNG. That is the foreign aid program.

Mr. BEACH. Which is not included in the realized losses of CCC.

Senator PROXMIRE. What year was this?

Mr. BEACH. These are the estimates for the current fiscal year, 1965.

Senator YOUNG. How much is dairy?

Mr. BEACH. I have it broken down. That is \$320 million, and I am speaking only of the price support and related costs, exclusive of the Public Law 480.

Senator HOLLAND. Would it not be a good idea to ask them to put in by commodities the total estimates for the 1965 losses?

Senator YOUNG. Yes.

Mr. BEACH. We will do that.

(The information referred to appears on p. 28.)

LOSSES BY FISCAL YEARS

Senator HOLLAND. While we are dealing with this general subject, let me say this: In order that the committee might be apprised of the record of realized losses by fiscal years, the appropriation estimates and actual appropriations made, including the fiscal year in which they were requested, I ask that you supply for the record a tabulation which will show the realized losses by fiscal years, the fiscal year amount of reimbursements requested in the estimates, the appropriations enacted, and the reductions made by the Congress under the estimates.

I wish this table to show clearly the fact that you have been requesting only partial restoration by fiscal years, and it should also show any reimbursement losses which remain from prior years.

Finally, on the last line, it should show the realized losses for fiscal year 1964 and the pending estimate for 1966, which we have just been talking about, together with the amount of the estimate for reimbursement below the actual realized loss for 1964. We have already stated that we want the estimated losses for 1965 to be broken down by commodities, so we can have that.

I think that this outline of the total picture will be helpful, not only to the committee, but to Senators and the public in general.

(The information referred to follows:)

COMMODITY CREDIT CORPORATION

Net losses, budget estimates and appropriations

[Millions of dollars]

Fiscal year loss incurred	Amount of loss	Estimate for budget fiscal year	Amount requested	Amount appropriated		Unreimbursed loss	
				Year	Cumulative	Year	Cumulative
1959-----	1,207	1960 supplemental---	575	575	575	632	632
		1961-----	632	632	1,207	0	0
1960-----	1,612	1961 supplemental---	594	594	1,801	1,018	1,018
		1962-----	1,018	1,018	2,819	0	0
1961-----	¹ 3,335	1963-----	2,490	2,278	5,097	² 1,057	1,057
1962-----	2,799	1964-----	2,799	2,699	7,796	100	1,157
		1965 supplemental---	100				
1963-----	2,655	1965-----	1,724	1,574	9,370	1,081	2,238
		1966 supplemental---	1,081				
1964-----	3,227	1966-----	³ 2,300			3,227	5,465
1965 through Nov. 30, 1964.	1,655	1967-----				1,655	7,120
Total-----	16,490			9,370			7,120

¹ Includes \$1,268 inventory revaluation.

² Balance of inventory revaluation—includes \$211.5 million requested—not appropriated.

³ It is estimated this appropriation request would provide a desirable operating margin.

Senator PROXMIRE. Would it be possible, Mr. Chairman, to have that breakdown for 1963 and 1964 in addition to 1965?

Senator HOLLAND. I have already asked that.

Senator PROXMIRE. The breakdown for commodities.

Senator HOLLAND. Let the breakdowns for former years be by commodities, also.

The table on page 689 of the hearings for 1965 carries this information as of that date. An extension of that would be what we would expect.

(The information referred to follows:)

Realized losses

Item	Fiscal years		
	1963 actual	1964 actual	1965 estimate
Price support, export, supply and related programs:			
Commodity inventory operations:			
Loss or gain on sales.....	¹ \$131,972,925	¹ \$34,341,276	\$83,369,501
Donations.....	554,656,652	638,034,751	434,407,832
Storage and handling expense.....	365,941,152	365,379,266	308,536,400
Transportation expense.....	170,114,252	178,065,616	139,841,400
Total, commodity inventory operations.....	958,739,131	1,147,138,357	966,155,133
Commodity export payments.....	177,980,381	212,017,776	121,120,000
Reseal storage payments.....	75,893,406	79,236,088	78,230,000
Price support payments:			
Feed grains.....		382,409,240	269,000,000
Wheat.....		79,169,092	
Cotton.....			66,000,000
Total, price support payments.....		461,578,332	335,000,000
1961 feed grain program payments.....	¹ 2 469,458	¹ 2 136,238	
1962 feed grain program payments.....	489,180,769	¹ 2 84,718	
1963 feed grain program payments.....	188,551,052	273,339,123	
1964 feed grain program payments.....		372,971,347	503,200,000
1965 feed grain program payments.....			379,300,000
Total, feed grain program payments.....	677,262,363	646,089,514	882,500,000
Wheat certificate operations.....			¹ 75,200,000
1962 wheat stabilization program payments.....	220,096,354	¹ 14,578	
1963 wheat stabilization program payments.....	48,527,441	114,635,772	
1964 wheat stabilization program payments.....			34,000,000
Cotton equalization payments.....		62,609,966	433,000,000
Other program expense (net).....	28,673,127	32,569,103	12,920,681
Interest (net).....	377,611,949	412,141,735	305,013,000
Administrative and nonadministrative expense (net).....	90,093,300	58,894,362	65,986,186
Total, price support, export, supply and related programs.....	2,654,887,452	3,226,896,427	3,208,725,000
Special milk program ²	¹ 34,248	¹ 126,451	¹ 12,000
Subtotal.....	2,654,853,204	3,226,769,976	3,208,713,000
Total realized losses included in appropriation.....	1,574,000,000	2,300,000,000	(³)
Included in 1965 supplemental.....	-1,080,853,000		
Balance not appropriated.....	-204	-926,980,884	
Total, realized losses.....	1,574,000,000	2,299,789,092	
Reimbursement for costs of grain furnished States for starving resident game birds.....		210,908	
Total.....	1,574,000,000	2,300,000,000	

¹ Denotes net gain.

² Prior year adjustments.

³ Subsequent to 1966 estimate. As of November 30, 1964, actual net realized losses amounted to \$1,654,878,722.

LOSSES UNDER PUBLIC LAW 480 AND COMMODITY CREDIT CORPORATION

Senator MUNDT. Where there is a loss on these commodity by commodity reports, you will also have Public Law 480, but somehow or other you should provide a composite table showing what is 480 and what is the total for each commodity.

Mr. BEACH. Yes, sir.

(The information referred to follows:)

Commodity Credit Corporation

[Millions of dollars]

Commodity and program	Realized losses		
	1963	1964	1965 estimate
BASIC COMMODITIES			
Corn:			
Price support payments.....		304.4	217.0
All other.....	227.7	166.1	141.9
Total, price support.....	227.7	470.5	358.9
Commodity export.....	(1)		
Acreage diversion payments.....	546.8	520.1	720.0
Total, price support, export and related.....	774.5	990.6	1,078.9
Public Law 480:			
Title I:			
CCC stocks.....	30.2	28.8	14.8
Other stocks.....	12.8	26.6	22.4
Total, title I.....	43.0	55.4	37.2
Title II: CCC stocks.....	6.0	8.4	11.9
Title IV:			
CCC stocks.....	.5	1.1	3.7
Other stocks.....	-.3	-.6	9.8
Total, title IV.....	.2	.5	13.5
Total, Public Law 480.....	49.2	64.3	62.6
Total, corn.....	823.7	1,054.9	1,141.5
Corn products:			
Price support.....	21.5	21.6	20.9
Public Law 480: Title II, CCC stocks.....	.3	.2	.2
Total, corn products.....	21.8	21.8	21.1
Cotton, extra long staple:			
Price support.....	.1	.2	2.0
Public Law 480:			
Title I, other stocks.....	1.7	1.6	7.0
Title IV.....			1.4
Total, cotton, extra long staple.....	1.8	1.8	10.4
Cotton, upland:			
Price support payments.....			66.0
All other.....	50.8	212.2	172.4
Commodity export:			
Cotton.....	103.4	22.5	13.5
Cotton products.....	17.7	17.5	3.5
Equalization payments.....		62.6	483.0
Total, price support, export and related.....	171.9	314.8	738.4
Public Law 480:			
Title I:			
CCC stocks.....	4.4	120.1	69.4
Other stocks.....	175.1	38.8	56.2
Total, title I.....	179.5	167.9	125.6

See footnotes at end of table.

Commodity Credit Corporation—Continued

[Millions of dollars]

Commodity and program	Realized losses		
	1963	1964	1965 estimate
Cotton, upland—Continued			
Public Law 480—Continued			
Title IV:			
CCC stocks	.1	(1)	23.1
Other stocks	33.0	2.2	18.7
Total, title IV	33.1	2.2	41.8
Total, Public Law 480	212.6	170.1	167.4
Total, cotton, upland	384.5	484.9	905.8
Peanuts (including peanut butter): Price support	21.2	28.3	31.2
Rice:			
Price support	12.4	15.1	15.3
Commodity export	24.1	38.8	30.4
Total, price support, export and related	36.5	53.9	45.7
Public Law 480:			
Title I:			
CCC stocks	(1)	1.0	-----
Other stocks	106.0	106.0	106.0
Total, title I	106.0	107.0	106.0
Title II, CCC stocks	.1	(1)	-----
Title IV:			
CCC stocks			
Other stocks	6.6	9.7	17.5
Total, title IV	6.6	9.7	17.5
Total, Public Law 480	112.7	116.7	123.5
Total, rice	149.2	170.6	169.2
Tobacco:			
Price support	16.1	11.5	-----
Public Law 480:			
Title I, other stocks	22.7	23.8	26.0
Title IV, other stocks	1.6	2.9	5.9
Total, Public Law 480	24.3	26.7	31.9
Total, tobacco	40.4	38.2	31.9
Wheat:			
Certificate operations			2 75.2
Price support payments		79.2	-----
Commodity export	19.7	91.3	12.2
All other	2 20.1	33.8	180.5
Wheat stabilization payments	268.6	114.7	34.0
Total, price support, export and related	268.2	319.0	151.5
International Wheat Agreement:			
CCC stocks	62.8	109.4	26.2
Other costs	11.4	16.4	3.8
Total, International Wheat Agreement	74.2	125.8	30.0
Public Law 480:			
Title I:			
CCC stocks	362.6	284.4	91.3
Other stocks	734.5	708.3	740.0
Total, title I	1,097.1	992.7	831.3
Title II, CCC stocks	92.2	87.3	75.7

See footnotes at end of table.

Commodity Credit Corporation—Continued

[Millions of dollars]

Commodity and program	Realized losses		
	1963	1964	1965 estimate
Wheat—Continued			
Public Law 480—Continued			
Title IV:			
CCC stocks.....	5.6	8.6	8.8
Other stocks.....	9.8	21.4	77.2
Total, title IV.....	15.4	30.0	86.0
Total, Public Law 480.....	1,204.7	1,110.0	993.0
Total, wheat.....	1,547.1	1,554.8	1,174.5
Bulgur:			
Price support.....	10.6	16.6	16.0
Public Law 480: Title II, CCC stocks.....	5.3	6.1	6.7
Total, bulgur.....	15.9	22.7	22.7
Rolled wheat:			
Price support.....	7.1	6.7	6.9
Public Law 480: Title II, CCC stocks.....		.3	.7
Total, rolled wheat.....	7.1	7.0	7.6
Wheat flour:			
Price support.....	93.3	85.7	88.7
Commodity export.....	6.6	5.4	2.1
Total, price support, export and related.....	99.9	91.1	90.8
Public Law 480: Title II, CCC stocks.....	21.9	19.5	16.9
Total, wheat flour.....	121.8	110.6	107.7
MANDATORY NONBASIC COMMODITIES			
Barley:			
Price support payments.....		19.0	14.0
All other.....	5.6	2.7	.4
Total, price support.....	5.6	21.7	14.4
Commodity export.....	2.2		
Acreage diversion payments.....	37.0	36.0	44.0
Total, price support, export and related.....	42.4	57.7	58.4
Public Law 480:			
Title I:			
CCC stocks.....	4.5	13.5	10.8
Other stocks.....	8.6	-1.7	
Total, title I.....	13.1	11.8	10.8
Title IV, CCC stocks.....	1.0	.1	
Total, Public Law 480.....	14.1	11.9	10.8
Total, barley.....	56.5	69.6	69.2
Honey: Price support.....	(1)		
Butter and products:			
Price support.....	165.3	306.6	109.9
Public Law 480:			
Title I:			
Other stocks.....	.1	.8	
CCC stocks.....	.6	.1	7.9
Total, title I.....	1.5	11.6	6.2
Title IV:			
CCC stocks.....	.5	1.0	1.2
Other stocks.....	-.2	.4	
Total, title IV.....	.3	1.4	1.2
Total, Public Law 480.....	2.5	13.9	15.3
Total, butter and products.....	167.8	320.5	125.2
Milkfat: Commodity export.....		6.9	26.2

See footnotes at end of table.

Commodity Credit Corporation—Continued

[Millions of dollars]

Commodity and program	Realized losses		
	1963	1964	1965 estimate
Cheese:			
Price support.....	72.2	57.4	23.0
Public Law 480:			
Title I, CCC stocks.....	.2	.1	1.2
Title II, CCC stocks.....	.1	.4	.4
Title IV, CCC stocks.....			.4
Total, Public Law 480.....	.3	.5	2.0
Total, cheese.....	72.5	57.9	25.0
Milk, fluid: Price support.....	24.8	26.5	26.7
Milk, nonfat dry:			
Price support.....	162.4	172.1	104.0
Commodity export.....	6.7	29.6	30.2
Total, price support, export and related.....	169.1	201.7	134.2
Public Law 480:			
Title I:			
CCC stocks.....	2.0	1.7	2.6
Other stocks.....	4.8	5.4	
Total, title I.....	6.8	7.1	2.6
Title II, CCC stocks.....	12.7	7.7	7.0
Title IV:			
CCC stocks.....			
Other stocks.....	1.0		
Total, Public Law 480.....	20.5	14.8	9.6
Total, milk, nonfat dry.....	189.6	216.5	143.8
Total, dairy products:			
Price support.....	424.7	562.6	263.6
Commodity export.....	6.7	36.5	56.4
Total, price support, export and related.....	431.4	599.1	320.0
Public Law 480:			
Title I:			
CCC stocks.....	2.8	1.9	11.7
Other stocks.....	4.9	6.2	
Total, title I.....	7.7	8.1	11.7
Title II, CCC stocks.....	14.3	19.7	13.6
Title IV:			
CCC stocks.....	.5	1.0	1.6
Other stocks.....	.8	.4	
Total, title IV.....	1.3	1.4	1.6
Total, Public Law 480.....	23.3	29.2	26.9
Total, dairy products.....	454.7	628.3	346.9
Oats:			
Price support.....	3.4	4.8	7.2
Acreage diversion payments.....			3.3
Total, price support, export and related.....	3.4	4.8	10.5
Public Law 480: Title I, CCC stocks.....	.1	.1	
Title IV, CCC stocks.....		.1	
Total, oats.....	3.5	5.0	10.5
Rye:			
Price support.....	2.3	2.1	(1)
Acreage diversion payments.....			.2
Total, price support, export and related.....	2.3	2.1	.2

See footnotes at end of table.

Commodity Credit Corporation—Continued

[Millions of dollars]

Commodity and program	Realized losses		
	1963	1964	1965 estimate
Rye—Continued			
Public Law 480:			
Title I:			
CCC stocks.....	1.1	.1	-----
Other stocks.....	-.9	-----	-----
Total, title I.....	.2	.1	-----
Title IV.....	-----	(1)	-----
Total, Public Law 480.....	.2	.1	-----
Total, rye.....	2.1	-----	.2
Grain sorghums:			
Price support payments.....	-----	59.0	38.0
All other.....	125.9	75.7	65.7
Total, price support.....	125.9	134.7	103.7
Commodity export.....	(1)	-----	-----
Acreage diversion payments.....	93.5	90.0	115.0
Total, price support, export and related.....	219.4	224.7	218.7
Public Law 480:			
Title I:			
CCC stocks.....	15.8	7.0	4.6
Other stocks.....	-4.8	-4.5	-----
Total, title I.....	11.0	2.5	4.6
Title II, CCC stocks.....	2.3	3.0	6.0
Title IV:			
CCC stocks.....	2.6	2.1	2.8
Other stocks.....	-1.3	-1.4	-----
Total, title IV.....	1.3	.7	2.8
Total, Public Law 480.....	14.6	6.2	13.4
Total, grain sorghums.....	234.0	230.9	232.1
Tung oil: Price support.....	-----	-----	.1
OTHER NONBASIC COMMODITIES			
Beans, dry edible:			
Price support.....	16.0	6.6	8.4
Public Law 480:			
Title I:			
CCC stocks.....	.1	.4	-----
Other stocks.....	.2	.8	.2
Total, title I.....	.3	1.2	.2
Title II, CCC stocks.....	.1	(1)	.6
Title IV, other stocks.....	.5	.2	.6
Total, Public Law 480.....	.9	1.4	1.4
Total, beans, dry edible.....	16.9	8.0	9.8
Flaxseed:			
Price support.....	.7	2.9	1.5
Commodity export.....	-----	-----	.8
Rosin: Price support.....	-----	-----	-----
Turpentine: Price support.....	.3	.2	-----
Soybeans:			
Commodity export payments.....	-----	(1)	2.0
Price support.....	1.5	2.8	2.4
Public Law 480: Title IV, private stocks.....	8.3	.4	-----
Total, soybeans.....	9.8	2.4	1.6

See footnotes at end of table.

Commodity Credit Corporation—Continued

[Millions of dollars]

Commodity and program	Realized losses		
	1963	1964	1965 estimate
Vegetable oils (including cottonseed and soybean oil):			
Special program (prior year adjustment).....	2.1		
Price support.....	40.6	4.6	34.6
Public Law 480:			
Title I, other stocks.....	59.0	66.0	75.9
Title II, CCC stocks.....	10.2	5.4	8.5
Title IV, other stocks.....	3.3	8.3	13.8
Total, Public Law 480.....	72.5	79.7	98.2
Total, vegetable oils.....	115.2	84.3	132.8
Linseed oil:			
Price support.....		(1)	.2
Commodity export.....			.2
Total, linseed oil.....		(1)	.4
Strategic and critical materials.....	1.6	1.5	.1
Storage facilities.....	.1	.2	
Supply and foreign purchase.....	.4	(1)	(1)
Administrative expense (net).....	38.3	33.0	34.2
Nonadministrative expense (net).....	51.9	25.9	31.8
Interest (net).....	377.6	412.1	305.0
Special milk.....		2.1	
Other commodities:			
Public Law 480:			
Title I, other.....	32.7	40.1	55.1
Title IV, other.....	3.3	1.9	6.9
Total, Public Law 480, other commodities.....	36.5	42.0	62.0
Ocean transportation (Public Law 480):			
Title I.....	147.1	141.7	145.8
Title II (Including title III donations).....	61.9	78.1	69.7
Title IV.....	3.8	4.5	20.3
Total, Public Law 480, ocean transportation.....	212.8	224.3	235.8
Interest (Public Law 480):			
Title I.....	18.2	16.1	6.0
Title IV.....	1.1	2.2	2.8
Total, interest, Public Law 480.....	19.3	18.3	8.8
Amounts recovered or recoverable from other sources, Public Law 480:			
Title I, foreign currencies.....	2 216.0	2 4.7	2 17.2
Title IV, repayments made and due from foreign governments.....	2.1	2 4.7	2 10.7
Total, amounts recoverable from other sources.....	2 216.1	2 9.4	2 27.9
Other special activities:			
Bartered materials for supplemental stockpile.....	99.7	37.7	80.0
Military housing (barter and exchange).....	2 1.6	2 3.0	2 2.3
National Wool Act.....	46.2	32.2	31.5
Cropland conversion.....		2 2.1	
Transfer of funds for research.....			6.8
Rounding.....	2.1	.5	.2
Total, Commodity Credit Corporation.....	4,692.6	5,337.5	5,195.5

See footnotes at end of table.

Commodity Credit Corporation—Continued

[Millions of dollars]

Commodity and program	Realized losses		
	1963	1964	1965 estimate
SUMMARY			
Price support:			
Price support payments		461.6	335.0
All other	1,059.1	1,257.0	1,057.1
Subtotal, price support	1,059.1	1,718.6	1,392.1
Strategic and critical materials	1.6	1.5	.1
Rounding		.1	.1
Total, price support	1,060.7	1,720.2	1,392.3
Commodity export	178.0	212.0	121.1
Storage facilities	.1	.2	
Supply and foreign purchase	.4	(1)	(1)
Wheat certificate operations			² 75.2
Special feed grain program	677.3	646.1	882.5
Wheat stabilization program	268.6	114.7	34.0
Cotton equalization payments		62.6	483.0
Interest	377.6	412.1	305.0
Administrative	38.3	33.0	34.2
Nonadministrative	51.9	25.9	31.8
Vegetable oils	2.1		
Total, price support, export, supply and related programs	2,655.0	3,226.7	3,208.7
Other special activities:			
Special milk		2.1	
Land use adjustment		² 2.1	
Military housing (barter and exchange)	² 1.6	² 3.0	² 2.3
National Wool Act	46.2	32.2	31.5
Transfer of funds for research			6.8
Total, other special activities	44.6	27.1	36.0
Rounding	² 1	.1	
Total, CCC and other special activities	2,699.5	3,253.9	3,244.7
Foreign assistance programs:			
Public Law 480:			
Title I	1,523.4	1,631.5	1,426.0
Title II	215.6	228.2	210.5
Title IV	80.2	60.4	204.3
Total, Public Law 480	1,819.2	1,920.1	1,840.8
International Wheat Agreement	74.2	125.8	30.0
Bartered materials for supplemental stockpile	99.7	37.7	80.0
Total, foreign assistance programs	1,993.1	2,083.6	1,950.8
Total, all activities	4,692.6	5,337.5	5,195.5

¹ Less than \$50,000.² Denotes net gain.

COST OF INTEREST ON UNREIMBURSED LOSSES

Senator MUNDT. I am not sure yet in my own mind how much money CCC is presently paying in interest.

Mr. MURPHY. My recollection is that the last fiscal year, 1964, it was \$454 million, included in the loss.

Senator MUNDT. If we appropriate this full amount, do we reduce that? Does that \$400 million reduce the interest rate?

Mr. MURPHY. Yes, sir. If the appropriation is made, we can reduce our borrowings correspondingly, and as we reduce our borrowings from the Treasury, the amount on which we pay interest goes down.

Senator MUNDT. What rate of interest do you pay—the same rate the Treasury pays the bondholder?

Mr. MURPHY. At the current time, we are paying the Treasury 4 percent.

Mr. BEACH. We are paying it on \$13.8 billion.

INVENTORY REVALUATION

Senator MUNDT. Maybe this was done before I came in, but how can we sort of gaily say that in 1961 we lost \$1 billion, or something over, by revaluation? Can you discuss that a little bit?

Mr. MURPHY. Mr. Beach can explain it a lot better than I.

Mr. BEACH. A very, very short explanation, Senator Mundt, is that the policy up to fiscal year 1961 in respect to the value of inventories on the books of the Commodity Credit Corporation was to include all of the carrying charges that were incurred against the inventory—storage, handling, transportation—as a capital addition to the inventory account. In other words, they become a part of the value of the inventory. The longer you carried the stocks the larger became the amount invested in it on this basis, because it showed all of the accumulations.

The policy was changed as of the end of fiscal year 1961 to recognize those carrying costs as realized losses when they were incurred, rather than keeping them on the books for years as the inventory was kept on the books. So what we did was to write off on that date all of those accumulated carrying charges up to that time as a realized cost and charged it as a realized cost. Then thereafter, beginning with fiscal year 1962 and subsequently, the carrying charges have been called realized losses as they were incurred, and our inventory was valued at acquisition cost: in other words, whatever we had to spend for it.

This ordinarily would be the support level. In other words, if it is \$1 a bushel for corn, that would be your acquisition cost.

Senator MUNDT. It would seem to me that the second bookkeeping procedure would make more sense than the first, because you are getting a highly inflated value and you lost this money simply because your grain went down in price.

How much of your debt for storage that we are talking about here this morning is involved in present inventories of storage?

Mr. BEACH. Of our borrowing, our outstanding borrowing?

INVENTORY INVESTMENT

Senator MUNDT. How much money do you have in inventory now?

Mr. BEACH. We had, as of November 30, \$4,750 million, which represented the acquisition cost value of the inventory only.

Senator MUNDT. Do we have in your report or has it been put in the record where that money is, as far as commodities are concerned?

Mr. BEACH. We would be glad to break them down by commodities.

Senator MUNDT. And by locations? I mean by States or by the types of storage? Is it all Government storage?

Mr. BEACH. No, sir; we don't have it by States. It is primarily warehouse storage, except for corn, and a substantial part of that is in CCC-owned bins, about half of it is warehouse corn.

LOANS

With respect to loans, we had \$2,449 million in loans on November 30, and a substantial part of those would be on commodities stored on the farms. We have a breakdown which we will supply.

Mr. MURPHY. I think we can break this down by the types of storage, that is, warehouse storage, farm storage, and Government bins.

Senator MUNDT. That would be fine.

(The information referred to follows.)

U.S. DEPARTMENT OF AGRICULTURE, COMMODITY CREDIT CORPORATION

Price-support inventories by type of storage and commodity as of Nov. 30, 1964

[All figures in thousands]

Commodity	Unit of measure	Warehouse stored		Bin stored		Total	
		Quantity	Value	Quantity	Value	Quantity	Value
Cotton:							
Cotton, extra-long staple.	Bale.....	132	\$34,808	-----	-----	132	\$34,808
Cotton, upland.....	do.....	7,925	1,309,734	-----	-----	7,925	1,309,734
Grains:							
Barley.....	Bushel.....	14,703	12,743	10,427	\$9,103	25,130	21,846
Beans, dry edible.....	Hundredweight.....	859	6,052	-----	-----	859	6,052
Corn.....	Bushel.....	418,213	509,830	421,353	513,629	839,566	1,023,459
Corn products.....	Pound.....	997	34	-----	-----	997	34
Flaxseed.....	Bushel.....	3,332	9,890	-----	-----	3,332	9,890
Grain sorghum.....	do.....	592,385	665,241	4,552	5,103	596,937	670,344
Oats.....	do.....	27,384	16,511	5,758	3,472	33,142	19,983
Rice:							
Milled.....	Hundredweight.....	-----	-----	-----	-----	-----	-----
Rough.....	do.....	1,141	5,973	-----	-----	1,141	5,973
Rye.....	Bushel.....	561	610	82	89	643	699
Soybeans.....	do.....	1,915	4,479	9	21	1,924	4,500
Wheat.....	do.....	720,637	1,473,822	12,008	24,508	732,645	1,498,330
Bulgur.....	Pound.....	250	10	-----	-----	250	10
Wheat flour.....	do.....	6,818	381	-----	-----	6,818	381
Wheat, rolled.....	do.....	53	2	-----	-----	53	2
Milk and butterfat:							
Butter.....	do.....	100,697	58,638	-----	-----	100,697	58,638
Butter oil.....	do.....	10,890	8,416	-----	-----	10,890	8,416
Cheese.....	do.....	36,976	14,122	-----	-----	36,976	14,122
Milk, dried.....	do.....	168,118	25,659	-----	-----	168,118	25,659
Oils and peanuts:							
Cottonseed oil, refined.....	do.....	86,238	9,684	-----	-----	86,238	9,684
Cottonseed oil.....	do.....	-----	-----	-----	-----	-----	-----
Refined (salad oil).....	do.....	8,489	1,583	-----	-----	8,489	1,583
Linseed oil.....	do.....	73,436	8,693	-----	-----	73,436	8,693
Peanuts, shelled.....	do.....	26,095	4,586	-----	-----	26,095	4,586
Tung oil.....	do.....	14,818	3,556	-----	-----	14,818	3,556
Exchange commodities:							
Strategic and critical materials in process of transfer to the supplemental stockpile.....	-----	-----	9,629	-----	-----	-----	9,629
Total.....	-----	-----	4,194,686	-----	555,925	-----	4,750,611

Farm and warehouse stored loans outstanding, Nov. 30, 1964

[Stated in thousands]

Commodity	Unit of measure	Loans outstanding					
		Farm stored		Warehouse stored		Total	
		Quantity	Value	Quantity	Value	Quantity	Value
Corn.....	Bushel.....	496,151	\$530,252	3,754	\$4,142	499,905	\$534,394
Cotton, extra-long staple.....	Bale.....			8	2,022	8	2,022
Cotton, upland.....	do.....			3,426	513,918	3,426	513,918
Peanuts.....	Pound.....	563	62	340,333	37,510	340,896	37,572
Rice.....	Hundred-weight.....	1,568	7,913	2,366	11,708	3,934	19,621
Tobacco.....	Pound.....			1,127,882	794,634	1,127,882	794,634
Wheat.....	Bushel.....	121,495	192,248	72,478	91,422	193,973	283,670
Barley.....	do.....	27,321	21,128	1,672	1,498	28,993	22,626
Grain sorghum.....	do.....	35,739	35,478	49,423	53,364	85,162	88,842
Honey.....	Pound.....	6,835	857			6,835	857
Oats.....	Bushel.....	62,911	35,559	3,284	2,144	66,195	37,703
Rye.....	do.....	2,145	2,173	913	900	3,058	3,073
Tung oil.....	Pound.....			795	191	795	191
Beans, dry edible.....	Hundred-weight.....	56	267	838	6,018	894	6,285
Flaxseed.....	Bushel.....	1,500	4,239	3,989	11,267	5,489	15,506
Rosin.....	Pound.....			336,077	35,253	336,077	35,253
Soybeans.....	Bushel.....	17,820	39,456	6,076	13,370	23,896	52,826
Total.....			869,632		1,579,361		2,448,993

INVENTORY SPOILAGE

Senator HOLLAND. Where in this picture would come the spoilage and the loss by reason of downgrading?

Mr. MURPHY. When this occurs, or when we sell commodities at a lower price because it is going out of condition, that becomes a realized net loss at the time of sale, and it is the difference between the acquisition cost and the price that we get for it when we sell it that becomes a realized loss.

Senator HOLLAND. Is there any single place where we can see, year by year, the amount of loss due to that factor, that is, spoilage or downgrading due to depreciation of quality of the stored products?

Mr. BEACH. Senator Holland, we have a statement that we can insert into the record year by year which shows the quantity, the cost value and proceeds of commodities that were deteriorating at the time they were sold, and the amount of losses taken on those sales. Likewise, we have a statement of the shrinkage and spoilage loss. It is a nominal amount in comparison to the total inventory.

Senator YOUNG. Isn't most of your grain under a uniform grain storage agreement where the people doing the storage guarantee the same quality.

Mr. GODFREY. This is true in the case of wheat, Senator Young, but not in the case of corn. As of November 30, 1964, about half of the corn is stored in Government-owned bins under the uniform storage agreement.

TOTAL AMOUNT OF LOSS

Mr. BEACH. The last figure for 1963, the total amount of loss taken because of sales of deteriorated commodities or shrinkage and spoilage costs was \$8,386,976, on an investment of—

Senator HOLLAND. Will you insert that table into the record, please?

Mr. BEACH. We will be glad to bring it up to date.

Senator HOLLAND. Have you the same facts available for other years?

Mr. BEACH. We have it for fiscal year 1964, and earlier years.

Senator HOLLAND. Suppose you show it for 1961, 1962, 1963, and 1964, please.

We have been starting with the revaluation in 1961, so let's show it for those years. You can show it for more years, if you like, to show the trend, but let's have the picture of that part which I have understood always was a very, very small part of the total losses. But let's have the figures showing it.

Mr. BEACH. We can show along with that, Senator Holland, to make it more informative, the actual inventory at the beginning of the year, which would show the base against which these losses occurred.

Senator HOLLAND. Make a clear showing of that.

If anyone wants to go back further than 1961, it is all right with me. I think that will be sufficient.

(The information referred to follows:)

U.S. DEPARTMENT OF AGRICULTURE, COMMODITY CREDIT CORPORATION

Losses resulting from sale of deteriorated commodities and inventory losses due to shrinkage and spoilage, fiscal year 1961, and beginning inventory

Commodity	Unit	Deteriorated				Shrinkage and spoilage		Total loss	Inventory as of June 30, 1960	
		Quantity	Cost	Proceeds	Loss ¹	Quantity	Loss (cost)		Quantity	Value
Corn.....	Bushel.....	26,381,450	\$55,231,740	\$22,853,758	\$32,377,982	197,532	\$380,365	\$32,758,377	1,158,237,487	\$1,700,006,790
Cotton:										
Extra long staple.....	Bale.....						² 173	² 173	44,106	12,142,187
Upland.....	do.....						² 26,040	² 26,040	5,016,542	868,096,958
Peanuts:										
Farmers' stock.....	Pound.....					145,153	17,453	17,453	16,643,888	1,570,841
Shelled.....	do.....	175,033	31,040	11,709	19,331	112,484	19,805	39,136	103,762,247	14,732,226
Rice:										
Milled.....	Hundredweight.....	9,831	101,214	67,567	33,647	² 151	² 2,052	31,595	1,575,153	14,683,733
Rough.....	do.....	20,758	112,531	76,981	35,570	20,908	114,586	150,156	5,013,312	24,795,649
Wheat:										
Barley.....	Bushel.....	3,701,162	10,100,035	6,663,025	3,437,010	126,376	386,380	3,823,399	1,195,368,923	2,451,576,638
Bears, dry edible.....	do.....	211,690	227,080	133,167	93,913	5,733	6,336	100,249	71,050,747	67,352,362
Flaxseed.....	Hundredweight.....					123	957	957	150,026	969,820
Grain sorghum.....	Bushel.....	3,759,168	11,377,573	6,593,207	4,868,366	35	137	137	66,577	104,804
Milk, dry.....	Hundredweight.....	13,076,142	1,937,690	1,102,111	855,579	11,478	33,065	4,901,431	319,281,492	646,348,630
Oats.....	Pound.....	49,208	38,858	27,257	11,601	8,100	2,248	855,331	299,886,173	41,712,578
Rye.....	Bushel.....					3,741	2,766	14,367	15,095,917	9,435,117
Tung oil.....	do.....				² 76	2,218	2,978	2,902	5,318,077	5,878,936
Soybeans.....	Pound.....					18,336	3,941	3,941	18,592,705	3,878,598
	Bushel.....	8,230	18,262	14,811	3,451	19,899	45,397	48,848	20,380,264	43,424,738
Total, above commodities.....			79,106,023	37,459,649	41,736,374		985,692	42,722,066		5,900,800,005

² Denotes gain.

¹ The loss shown on dispositions of deteriorated commodities is the difference between cost, value and the proceeds received. The realized loss is not necessarily attributable to deterioration alone inasmuch as it cannot be assumed that the total cost would have been received if there had been no deterioration.

*Losses resulting from sale of deteriorated commodities and inventory losses due to shrinkage and spoilage, fiscal year 1962,
and beginning inventory*

Commodity	Unit	Deteriorated			Shrinkage and spoilage		Total loss	Inventory as of June 30, 1960	
		Quantity	Cost	Proceeds	Loss ¹	Quantity	Loss (cost)	Quantity	Value
Corn.....	Bushels.....	34,399,821	\$43,007,335	\$30,355,509	\$13,251,826	1,794,163	\$2,311,216	1,261,015,983	\$1,696,444,456
Peanuts:									
Farmers' stock.....	Pound.....					291,142	29,675	16,545,593	1,700,517
Shelled.....	do.....	79,560	15,986	6,452	9,484	36,465	5,739	70,187,821	11,174,269
Rice:									
Milled.....	Hundredweight.....	256	2,403	402	2,001			76,296	695,428
Rough.....	do.....	2,823	14,324	13,203	1,121			4,216,415	19,939,769
Wheat.....	Bushels.....	2,354,698	5,011,041	4,666,104	344,937	372,930	792,525	1,242,517,998	2,494,113,775
Wheat flour.....	Pounds.....	91,400	4,634	823	3,811			79,850	3,593
Barley.....	Bushels.....	85,990	112,946	76,830	36,116	25,079	24,041	53,769,441	48,311,454
Beans, dry edible.....	Hundredweight.....	3,977	27,831	5,965	21,866			1,205,903	7,921,982
Grain sorghum.....	do.....	3,524,071	7,451,264	6,423,860	1,027,404	196,056	410,010	392,310,908	759,997,145
Milk, dried.....	Pounds.....	19,096,901	3,079,199	2,284,400	794,739			307,018,279	44,952,691
Oats.....	Bushels.....	39,007	43,320	39,007	4,313	5,129	3,180	10,358,337	6,407,491
Rye.....	do.....	8,968	9,535	7,081	2,454			4,322,721	4,437,012
Tung oil.....	Pounds.....					113,475	1,863	4,828,206	1,012,089
Soybeans.....	Bushels.....	7,495	17,625	17,339	286	21	29,474	1,077	2,008
Total above commodities.....			64,397,393	43,897,035	20,500,358		3,632,973		5,087,113,679

¹ The loss shown on dispositions of deteriorated commodities is the difference between cost value and the proceeds received. The realized loss is not necessarily attributable

to deterioration alone inasmuch as it cannot be assumed that the total cost would have been received if there had been no deterioration.

*Losses resulting from sale of deteriorated commodities and inventory losses due to shrinkage and spoilage, fiscal year 1963,
and beginning inventory*

Commodity	Unit	Deteriorated				Shrinkage and spoilage		Total loss	Inventory as of June 30, 1960	
		Quantity	Cost	Proceeds	Loss ¹	Quantity	Loss (cost)		Quantity	Value
Corn.....	Bushel.....	24,059,557	\$27,642,771	\$23,128,298	\$4,514,473	2,041,532	\$2,320,270	\$8,834,743	658,805,193	\$737,324,502
Milk, dried.....	Pounds.....	31,063,011	4,761,296	3,285,766	1,475,530	35,536	84,756	1,475,530	626,051,670	99,232,905
Soybeans.....	Bushel.....	366,105	885,650	836,678	48,972	1,456,100	53,907	133,728	51,631,136	122,851,065
Peanuts, farmers' stock.....	Pound.....	719	7,124	2,157	4,967	1,397	40,750	53,907	179,085	1,771,303
Rice, milled.....	Hundredweight.....	16,692	117,321	94,642	22,679	4,114	9,467	45,717	2,630,602	18,331,898
Beans, dry edible.....	do.....	33,095	98,167	81,416	16,751	18,429	3,654	16,751	4,430,890	862,765
Flaxseed.....	Bushel.....	38,091	7,977	3,191	4,786	135	2,500	8,440	34,091,942	29,975,444
Peanuts, shelled.....	Pound.....	138,004	107,323	105,651	1,672	757	699	1,172	135,241	641,848
Barley.....	Bushel.....	48,643	27,979	28,500	2,521	295,991	196	2,325	16,744,113	10,621,968
Rice, rough.....	Hundredweight.....	17,121	16,249	17,546	310,711	98,085	700	2,597	2,617,323	2,490,563
Oats.....	do.....	2,725,557	3,035,035	2,724,324	310,711	2,347,753	2,347,753	2,347,753	687,100,769	739,833,832
Rye.....	do.....	5,849,669	11,693,691	12,080,205	2,366,514	188,621	188,621	2,366,514	1,096,620,050	2,142,935,749
Grain sorghum.....	do.....									
Wheat.....	do.....									
Total above commodities.....			48,400,583	42,368,374	6,032,209		2,354,767	8,386,976		3,906,882,942

¹ The loss shown on dispositions of deteriorated commodities is the difference between cost value and the proceeds received. The realized loss is not necessarily attributable to deterioration alone inasmuch as it cannot be assumed that the total cost would have been received if there had been no deterioration.

² Denotes gain or adjustment of quantity and/or loss recorded in prior years.

Losses resulting from sale of deteriorated commodities and inventory losses due to shrinkage and spoilage, fiscal year 1964, and beginning inventory

Commodity	Unit	Deteriorated				Shrinkage and spoilage		Total loss	Inventory as of June 30, 1963	
		Quantity	Cost	Proceeds	Loss ¹	Quantity	Loss (cost)		Quantity	Value
Barley.....	Bushel.....	534,067	\$412,691	\$403,279	\$9,412	8,374	\$7,403	\$16,815	46,975,637	\$40,632,360
Beans, dry edible.....	Hundredweight.....	779	5,613	1,150	4,463	5,171	29,166	33,569	1,167,649	8,773,377
Corn.....	Bushel.....	985,800	1,215,366	1,033,404	211,962	1,482,323	1,756,582	1,968,544	492,124,265	693,676,644
Cotton:										
Extra long staple.....	Bale.....	-----	-----	-----	-----	-----	-----	2 11	15,865	4,350,337
Upland.....	do.....	-----	-----	-----	-----	-----	-----	2 51,631	4,135,721	714,465,702
Flaxseed.....	Bushel.....	209,499	618,375	595,240	23,135	22,033	64,967	88,102	5,327,184	15,793,337
Foundation seeds.....	Pound.....	-----	-----	-----	-----	3,248	64,922	92,922	234,426	126,693
Ghee.....	do.....	-----	-----	-----	-----	-----	-----	2 103	2,169,883	1,751,446
Grain sorghum.....	Bushel.....	5,495,099	5,250,123	6,188,491	2,938,368	53,393	51,154	2 887,214	633,412,519	695,687,394
Milk, dried.....	Pound.....	84,747,093	8,126,615	5,210,663	2,915,952	-----	-----	2,915,952	706,775,691	104,267,892
Oats.....	Bushel.....	131,932	76,059	66,355	9,704	3,532	2,036	11,740	18,623,062	11,180,720
Peanuts:										
Farmers' stock.....	Pound.....	-----	-----	-----	-----	-----	-----	2 24,999	6,936,808	740,938
Shelled.....	do.....	-----	-----	-----	-----	11,733	167	167	66,944,036	11,461,601
Rice:										
Milled.....	Hundredweight.....	-----	-----	-----	-----	22	2 4,776	2 4,776	14,029	139,011
Rough.....	do.....	-----	-----	-----	-----	3,228	17,178	17,178	1,796,161	9,562,709
Rye.....	Bushel.....	10,741	11,243	10,961	282	1,240	1,276	1,558	1,563,326	1,619,826
Soybeans.....	do.....	1,216	2,661	1,596	1,065	3,622	8,474	9,539	3,181,807	7,435,749
Wheat.....	do.....	5,700,262	11,178,926	10,668,536	510,390	240,884	473,931	984,321	1,082,404,031	2,167,741,439
Total, above commodities.....		-----	26,897,672	24,149,675	2,747,997	-----	2,331,676	5,079,673	-----	4,399,377,195

¹ The loss shown on dispositions of deteriorated commodities is the difference between cost value and the proceeds received. The realized loss is not necessarily attributable to deterioration alone inasmuch as it cannot be assumed that the total cost would have been received if there had been no deterioration.

² Denotes gain or adjustment of quantity and/or loss recorded in prior years.

REIMBURSEMENT FOR NET REALIZED LOSSES

Senator HOLLAND. Proceed, Mr. Godfrey.

Mr. GODFREY. First, I would like to discuss reimbursement for net realized losses.

At the time the 1965 budget was prepared assuming enactment of appropriations requested, it appeared that the Corporation's borrowing authority would be sufficient to carry out authorized programs; however, current projections indicate that the available borrowing authority will be exhausted very shortly.

A combination of circumstances which could not be anticipated has since then adversely affected the amount and timing of the use of funds, resulting in unusually heavy demands on the borrowing authority. For example:

1. Congressional action on 1965 appropriation requests resulted in about \$618 million less funds being made available to the Corporation than anticipated. Congress appropriated \$478 million less funds than requested in the budget as amended. Congress also did not approve interest-free borrowings to cover losses realized but not reimbursed which caused expenditures for interest to exceed the estimates by \$140 million.

2. The 1965 budget assumed that cotton program costs would decrease \$200 million based on new legislation including an acreage diversion program for the 1964 crop. New cotton legislation was enacted late in the season and did not include an acreage diversion program. As a result, the participation in the new domestic allotment program was lower than expected. The increased funds are needed primarily to meet the added cost of equalization and price-support payments. This will increase expenditures by \$543 million over the budget estimate.

3. An increase in expenditures for feed grains. Most of the increase is for advance payments due to an increase in estimated acreage to be diverted—from 25 to 35 million acres—under the 1965 program. The balance of the increase reflects reduced sales from CCC stocks since higher levels of corn stocks held by other than CCC are available to meet anticipated requirements. This will increase expenditures \$240 million over the 1965 budget estimate.

ASSUMED AVAILABLE BORROWING AUTHORITY

The 1965 budget assumed available borrowing authority as of June 30, 1964, totaling \$496 million. Primarily as a result of smaller export sales of wheat and smaller sales of feed grains and increased tobacco loans, the actual balance of available borrowing authority as of June 30, 1964, was \$125 million, a reduction of \$371 million.

Senator HOLLAND. Have you shown anywhere the reduction in the export sales of wheat and the smaller sales of feed grains and the increased tobacco loans by separate items?

Mr. GODFREY. No, sir; we haven't. We can provide this for you, if you like.

Senator HOLLAND. I wish you would provide that for the record.

Mr. GODFREY. We will, sir.

(The information requested follows:)

COMMODITY CREDIT CORPORATION

Comparison of the status of \$14.5 billion borrowing authority, fiscal year 1964

[In millions of dollars]

Item	In 1965 budget	1964 actual	Change
Balance available.....	496	125	-371
Composition of major changes in net use of borrowing power:			
1. Cotton, upland.....	432	570	+138
2. Feed grains and products (total).....	(1,113)	(1,338)	(+225)
Corn.....	832	1,008	+176
Grain sorghum.....	214	244	+30
Barley.....	48	41	-7
Oats.....	14	23	+27
Corn products.....	23	22	-1
3. Tobacco.....	34	241	+207
4. Wheat and products (total).....	(1,381)	(1,98)	(+283)
Wheat.....	1,570	1,212	+358
Wheat flour.....	164	91	-73
Rolled wheat.....	10	7	-3
Bulgur.....	15	16	+1
5. Cotton, extra long staple.....	18	26	+8
6. Rice.....	65	52	-13
7. Soybeans.....	9	31	+22
8. Flaxseed.....	14	18	+22
9. Dairy products.....	305	355	+50
10. Other commodities.....	51	65	+14
Subtotal, commodities.....	1,642	2,598	+956
11. All other noncommodity programs:			
Change in working capital.....	17	192	-109
Public Law 480:			
Title I.....	1,609	1,415	-194
Title II.....	246	228	-18
Title IV.....	225	60	-165
International Wheat Agreement.....	101	126	+25
Bartered materials.....	86	37	-49
Other noncommodity programs.....	303	271	-32
Subtotal.....	4,229	4,643	+414
12. Unused funds advanced to CCC:			
Research (sec. 32, not in budget).....			-15
ACP and other programs using CCC sight drafts.....			-28
Increased use of borrowing authority reducing the balance available.....			+371

¹ Denotes net receipt.

ESTIMATED WHEAT SALES

Senator YOUNG. What are your expected sales of wheat for the current fiscal year?

Mr. GODFREY. For the current fiscal year, the estimates are being continually reviewed. We had thought it would be in the neighborhood of 120 to 150 million bushels. There is some indication now that it may not go this high. We are hoping it will.

Senator YOUNG. I mean all exports.

Mr. GODFREY. This is for dollars that I am speaking of now, dollar exports.

Senator YOUNG. Both under Public Law 480?

Mr. GODFREY. No, sir; just dollar exports. The total exports are estimated, both dollar and Public Law 480, at 675 million bushels.

Senator YOUNG. How does this compare with last year?

Mr. GODFREY. About 860 million, if I recall correctly.

Mr. BEACH. 860 million; yes, sir.

Senator MUNDT. Is that decrease in the dollar sales or the Public Law 480 sales?

Mr. GODFREY. A decrease in dollar sales, a considerable decrease there. The whole increase is made up in dollar sales.

Senator HOLLAND. Proceed, please.

PROPOSED SUPPLEMENTAL REQUEST

Mr. GODFREY. It is requested that a supplemental appropriation to reimburse CCC for realized losses be provided in the amount of \$1,181 million. This amount includes \$100 million of unrecovered 1962 realized losses and \$1,081 million of unrecovered 1963 losses. The proposed supplemental will make it possible to continue essential Commodity Credit Corporation operations consistent with current estimates and will allow for an operating margin for contingencies. This margin should be sufficient to handle any unforeseen developments resulting in more expenditures or less receipts than now expected in the current fiscal year.

PUBLIC LAW 480

Now I would like to discuss the Public Law 480 supplemental. The supplemental of \$506 million is required to place financing of costs under Public Law 480 on a current basis and to enable the Commodity Credit Corporation to carry out its mandatory price-support programs in fiscal year 1965. Congressional action on the 1962, 1963, 1964, and 1965 appropriations placed financing of Public Law 480, except title IV, on a current or "pay-as-you-go" basis, in order to relieve the Corporation of the burden of financing these programs from its borrowing authority and to reduce unnecessary interest costs.

The 1965 appropriation for title I of Public Law 480 costs was \$281 million less than the request in the budget. This is about the same as the supplemental for title I requirements amounting to \$273 million.

Financing of the amounts due from foreign governments under title IV, which are to be paid on an installment basis up to 20 years, places a heavy burden on Commodity Credit Corporation borrowing authority. The supplemental request for title IV for \$233 million would place financing of title IV costs on a current basis.

INTERNATIONAL WHEAT AGREEMENT

A supplemental of \$55 million is also required to place financing of the International Wheat Agreement costs on a current basis. The 1965 budget assumed that the domestic market price would fall below the competitive world price. However, new wheat legislation enacted in April 1964 resulted in a price increase for wheat and increased costs of \$30 million over the budget estimate. In addition, unrecovered 1964 costs were \$25 million more than estimated in the budget. This, together with the increase of \$30 million in the estimate of 1965 costs, makes the total supplemental for International Wheat Agreement requirements amount to \$55 million.

WHEAT PRICE

Senator YOUNG. I don't understand you when you say:

However, new wheat legislation enacted in April 1964 resulted in a price increase for wheat and increased costs of \$30 million over the budget estimate.

The cash price of wheat was greatly reduced. Would you explain that?

Mr. GODFREY. At the time the budget estimate was submitted, Senator Young, the wheat program in effect for the 1964 crop, provided for price support at 50 percent of parity which would have provided for a price support level of \$1.26 on a national average with an estimated farm level price of about the same, because many farmers would not comply with their acreage allotments. With passage of the wheat bill last year, the price support level—exclusive of the value of marketing certificates—was raised to \$1.30 on a national level. Most farmers participated in the program in order to get the value of the certificates. So the farm price then rose from our estimate in the budget of about \$1.25 to about \$1.35 per bushel. In addition the new program provided that export certificates valued at 25 cents per bushel be issued to participating producers.

SAVINGS DUE TO ENACTMENT OF WHEAT LEGISLATION

Senator YOUNG. How much lower do you expect the cost of the 1964 wheat program to be, than the price support costs for the year before, under the old program?

What I am trying to get at is this. Will there be any savings as a result of the enactment of the wheat bill?

Mr. GODFREY. Yes, sir; there were savings as a result of the enactment in actual costs from the previous year. We will have to furnish this for the record. We will be glad to do this.

Senator YOUNG. All right.

Mr. GODFREY. I don't have that figure right at the tip of my tongue. I don't remember it.

(The information requested follows.)

Wheat—Realized loss and CCC cost, including Public Law 480 and International Wheat Agreement—1963 and 1964 programs

	<i>Millions</i>
1964 fiscal year (1963 program), actual-----	\$1,555
1965 fiscal year (1964 program), estimated-----	1,175
Difference-----	<u><u>-380</u></u>

NEED FOR SUPPLEMENTAL

Senator HOLLAND. You may proceed.

Mr. GODFREY. It is estimated that the borrowing authority of the Commodity Credit Corporation, which by law is used to finance costs of Public Law 480 and International Wheat Agreement programs in excess of appropriations for such programs, will not be sufficient to carry out its mandatory operations unless funds are provided under these supplementals.

We will be glad to answer any questions.

Senator MUNDT. Mr. Chairman-----

Senator HOLLAND. Senator Mundt?

Senator MUNDT. I wonder, Mr. Murphy, whether farmers write to you people or just to Senators and Congressmen, about their complaints about the CCC going into the market and selling in competition with them, that you ought to sell your commodities a little higher at harvest time so that the grain handlers can get a better cash price. Do you get those kinds of complaints or do they just come to us?

Mr. MURPHY. We get some of those complaints.

CCC WHEAT SALES POLICY

Senator MUNDT. What is the latitude that CCC has for determining at what price they are going to sell their stored wheat? It isn't a wide-open choice, is it?

Mr. MURPHY. On the top side, I think it is wide open. I think so far as the law is concerned, we can refuse to sell at all or we can add 50 cents a bushel or any other number, so far as the maximum sale price is concerned. There are restrictions on the minimum sales price, however. As I recall, we are permitted to sell wheat for unrestricted use for 105 percent of the loan rate, plus carrying charges. The rule varies from commodity to commodity.

Senator MUNDT. Let's take wheat.

Mr. MURPHY. That has been a rather acute problem during the last year. When the legislation providing for certificates was under consideration in the Congress in the last year you may recall there was some objection to the certificates on the ground that this, plus the cost of the wheat, itself, would increase the cost of wheat to millers to such an extent that it would result in an increase in the price of flour and an increase in the price of bread.

In the course of consideration of that legislation, the Department, I think, made it rather clear to the Congress that it did not expect that the total price including certificates would increase the cost of wheat sufficiently to justify an increase in the price of bread. We had regarded that as, among other things, a commitment on which the Congress relied in enacting the legislation. So we have felt constrained to try to keep the price of wheat as influenced by our sales price on a stable and even keel. The price has been somewhat above the loan rate for most kinds of wheat in most parts of the country almost all the time since then.

PROBLEM OF TRANSITION

There was a difficult problem of transition at the beginning of this marketing year, the 1st of last July, where the market price of the wheat, itself, had dropped from near the \$1.82 support level, of the preceding year, down to a price related to the new \$1.30 loan rate—and the adjustment here had to make room for the certificate on wheat milled for domestic uses at 70 cents a bushel.

One thing that most millers did, naturally, was to get their inventories of the higher priced wheat as low as they could. This, in turn, ran them into a period of scarcity in the beginning of this marketing year. During that time, we did make Commodity Credit Corporation stocks available at the statutory price of 105 percent, plus carrying charges, and there were fairly substantial sales in the early months of

this marketing year. Most of the wheat that was sold was the Hard Red Winter wheat, and for a couple of months there was a fair amount of Spring wheat.

Senator MUNDT. Let me ask you, if you had decided to make a little profit on your wheat, which you have authority to do, at 115 percent, plus carrying charges, is it your judgment that that would have then increased the price of bread? Is that the reason you didn't do it?

Mr. MURPHY. It is my judgment that it would have substantially increased the chances that the price of bread would be increased. There was, actually, a substantial increase in the quoted price of flour in July or August of last year, as I recall, and while that represented something in the nature of a seasonal pattern, it took place earlier than it had before. We did not feel that that increase really was warranted by the price of wheat, plus what millers had had to pay for certificates, and, in fact, after their increase was put into effect, it dropped down rather quickly. In fact, I think the whole sustained increase in the price of flour has taken place, according to my information, with no general increase in the price of bread.

It is my feeling that if the price of wheat, including certificates, had been much higher, there would have been considerable justification for a higher price for bread.

DISCONTINUED SALE OF HARD RED SPRING WHEAT

Senator YOUNG. You stopped all sales of Hard Red Spring wheat held by CCC, did you not?

Mr. MURPHY. We did, Senator. According to the best of my recollection, it was in October.

Senator YOUNG. How long does that order continue in effect?

Mr. MURPHY. Indefinite; yes, sir. I have heard no discussion of that subject recently, which is about the best report I get on anything, to hear nothing about it. I assume it must be working satisfactorily at the present time.

Senator YOUNG. I note that the CCC sales of Hard Red Winter wheat have increased, though. Is that correct?

Mr. MURPHY. It would be my impression that there has not been much increased sales in Hard Red Winter. While the wheats are substitutable to some extent, as I understand it, they are used for different purposes, generally.

Senator YOUNG. I doubt the wisdom of this decision. I think it would have been better, perhaps, to have raised the selling price than to prohibit sales completely. We have more Hard Red Spring wheat in storage in North Dakota now than in all history. To prohibit sales entirely doesn't seem to me to be good judgment.

Mr. MURPHY. The merits on that question, Senator, were not altogether one sided in my judgment, even at that time. It is true that at the time that decision was taken it was in the harvest season, and we do try to exercise particular care in the harvest season not to sell our stocks in a manner that competes with the current marketing of the current crop. Perhaps I should say "competes improperly." But at any rate, we do try to avoid depressing prices during the harvest season to the extent we can, consistent with our other obligations.

WISDOM OF DECISION

Senator YOUNG. Wouldn't it have been better to have increased the CCC selling price rather than to prohibit sales completely?

Mr. MURPHY. Our judgment, Senator, was that it would be better to cut off sales than it would be to increase the selling price. We considered both alternatives. Our judgment might well have been wrong, but it was our judgment.

Mr. GODFREY. There is one other factor, Senator Young, which is involved here, and that is that if we had increased our selling price of wheat from CCC stocks, the cost of the wheat to millers, plus the cost of the certificates, would have been higher than in the preceding year, or could have been higher than in the preceding years, and the wheat program, itself, or the administrators of the sales policies, would be blamed for this increased cost. However, by withholding the CCC wheat from the market, the free market was permitted to operate and the program itself could not be blamed for any resultant increases.

Senator YOUNG. The millers could still buy Hard Red Winter wheat at the formula price of 105 percent of the price support plus carrying charges?

Mr. GODFREY. 105 percent is the statutory minimum; yes, sir.

Senator YOUNG. The millers could still buy Hard Red Winter wheat for this price?

Mr. GODFREY. Yes, sir. But transportation was involved on that in addition to the cost of the wheat.

Senator YOUNG. They couldn't under any circumstances buy CCC holdings of Hard Red Spring wheat, however.

Mr. MURPHY. But they could buy Hard Red Spring wheat from the 1964 crop in the free market. At the time that CCC discontinued its sales, and ever since, I believe, this wheat has been available in adequate supplies.

Senator YOUNG. I hope you don't continue this policy forever. I can understand that some people are interested in receiving storage payments for their wheat. This is good business, but this doesn't solve the wheat surplus problem.

Senator PROXMIRE. Mr. Chairman—

Senator HOLLAND. Senator Proxmire?

SPECIAL MILK PROGRAM

Senator PROXMIRE. In 1963, the 1964 budget on school milk was \$100 million, as I recall, and as a result it was necessary to cut back Federal participation by 2 percent, on school milk. Then in 1964, for the 1965 budget, as I understand it, the Department asked for \$106 million and the administration finally decided \$100 million.

We appropriated \$103 million, finally. It seemed on the basis of the fact that the number of schoolchildren participating in the program is increasing greatly, that there would have to be a cutback because \$103 million in the current fiscal year is inadequate. I am wondering what your experience has been since this \$103,000,000 limitation has gone into effect. Has there been the cutback we expected? In other words, the reduction in Federal participation of 2 or 3 percent?

Mr. GRANT. I recall, Senator, in the 1964 fiscal year action was taken to make, as I recall, a 2-percent cutback in the amounts reimbursed to

States. However, most of the claims were subsequently paid in full for 1964. The Congress increased the appropriation in 1965 to \$103 million. I have not heard of any cutback in the fiscal year 1965. I would have to verify this for the record, but I don't believe we have made any cutback in reimbursements this year.

Senator PROXMIRE. Will you verify that? It would be helpful if you would.

Mr. GRANT. Yes, sir.

Senator PROXMIRE. I am deeply concerned with what I understand is the proposal for only \$100 million by the administration for the school milk program for the coming year.

It is hard for me to understand how they can possibly justify that appropriation cutback in view of this growth in school population and growth in participation and the overwhelming approval of this program.

Mr. GRANT. This is related to the question of the amounts which the children, local schools, or State agencies contribute to the program, and the necessity to hold down Federal expenditures. The estimate for 1966 is the same amount as was recommended in the 1965 budget.

CCC MILK PURCHASES TO SUPPORT PRICE

Senator PROXMIRE. You see, the converse of this is that if the Federal Government doesn't buy this milk it is necessary for the CCC to step in and buy milk for price-support purposes, store the milk, and it is not used, instead of having it go to schoolchildren. It seems to me that looking at it overall this is a very false economy. We aren't really saving the money. What you are doing is not providing the funds for milk that otherwise children might utilize, and the milk is going into storage. That is a partial oversimplification, I know, because it is possible that the local authorities may come up with more money.

Mr. GRANT. I don't think there is any clear-cut answer as to what the effect would be on the CCC purchases if this item is held to \$100 million.

Senator PROXMIRE. Certainly there is a tendency.

Mr. GRANT. I think there is.

Senator PROXMIRE. That is, to increase the CCC purchases.

Thank you.

(The information requested follows:)

The 2-percent reduction in reimbursement for claims submitted was continued at the beginning of the fiscal year 1965. Beginning in September, claims were being paid in the amount of 95 percent of the amounts requested, resulting in a 5-percent reduction.

GENERAL STATEMENT

Senator YARBOROUGH. Mr. Chairman?

Senator HOLLAND. Senator Yarborough.

Senator YARBOROUGH. Mr. Chairman, I will withhold questioning at this time and read the record, because I have been unavoidably absent. Today was the 10th anniversary of Senator Lister Hill being chairman of the Labor and Public Welfare Committee. Being a member of that committee, I felt that I should be present.

But I will read the record to make up this gap in time while Mr. Godfrey has been testifying and while these questions have been asked.

NEED FOR FUNDS

Senator HOLLAND. You will find it an interesting record and I believe the witnesses of the Department have been completely frank with us. I think that none of us, however, are completely satisfied with the situation. At the same time, it is amply clear that the CCC does need heavy supplemental funds in order to operate freely from now until the end of the fiscal year.

PUBLIC LAW 480 SUPPLEMENTAL

The first question is this: In regard to the supplemental budget request for Public Law 480, you indicate in your statement that financing of these expenses has been placed on a pay-as-you-go basis except for title IV. The committee and the Congress have generally gone along with the principle of financing the expenses incurred under these various titles of Public Law 480 on a regular appropriation basis. Again, you have made a point about the fact that the Congress did not allow the full amount of the regular estimate for sales of surplus commodities under title I. As I recall, we have been dealing with expenses for Public Law 480 operations on a current basis for several years, but also have been requested to appropriate for unrecovered prior year amounts in connection with the regular annual appropriation bill each year. I wish you would offer for the record a table which shows for the past 5 fiscal years the budget estimate, the amount appropriated, and the actual expenditure under title I for sales of surplus commodities for foreign currencies. You can do that?

Mr. GODFREY. Yes, sir.

(The material requested follows:)

COMMODITY CREDIT CORPORATION

Summary of appropriation requests compared with appropriations and costs recoverable from appropriations, Public Law 480, title I, fiscal years 1961 through 1965

[In millions]

	Budget request	Appropriation	Actual, through June 30, 1964	
			Costs recoverable from appropriations	Unrecovered costs, end of year
Fiscal year 1961 supplemental:				
For 1961 costs (included in 1962 act but available June 30, 1961):				
Unrecovered prior year costs.....	\$177.0	\$177.0	\$177.0	-----
Current year costs.....	1,176.0	1,176.0	1,355.7	-----
Total.....	1,353.0	1,353.0	1,532.7	\$179.7
Fiscal year 1962 amended:				
Unrecovered prior year costs.....			179.7	-----
Current year costs (1st year of appropriation on an advance basis).....	1,310.5	1,250.5	1,404.8	-----
Total.....	1,310.5	1,250.5	1,584.5	334.0
Fiscal year 1963:				
Uncovered prior years' costs for which appropriations were not sufficient:				
1961.....	{ 212.4	-----	179.7	-----
1962.....			154.3	-----
Current year costs.....	1,080.6	1,080.6	1,525.5	-----
Subtotal, 1963.....	1,293.0	1,080.6	1,859.5	-----
Fiscal year 1963 supplemental: Additional estimated 1963 costs.....	295.8	508.2	-----	-----
Total.....	1,588.8	1,588.8	1,859.5	270.7
Fiscal year 1964 amended:				
Unrecovered prior year costs.....	270.7	270.7	270.7	-----
Current year costs.....	1,181.3	1,181.3	1,636.3	-----
Total.....	1,452.0	1,452.0	1,907.0	455.0
Fiscal year 1965 estimate:				
Unrecovered prior year costs.....	612.0	612.0	455.0	-----
Current year costs.....	1,281.0	1,000.0	1,430.0	-----
Total.....	1,893.0	1,612.0	1,885.0	\$ 273.0

¹ Consists of—

Estimated unrecovered prior year costs requested in budget but eliminated in appropriation. \$212.4
 Additional estimated 1963 costs..... 295.8

Total.....

² Proposed supplemental..... 508.2

CURRENT FISCAL YEAR EXPENSES

Senator HOLLAND. Also, do you have with you a current projection of what the expenses during the current fiscal year will be under title I sales by commodities? That is, fiscal 1965?

Mr. GODFREY. Yes, sir.

Senator HOLLAND. Will you place that in the record?

Mr. GODFREY. Yes, sir.

(The information referred to follows:)

Fiscal year 1965—Title I, Public Law 480

Commodity	Unit of measure	CCC stocks		Private stocks		Total	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	Bushel	8,000,000	\$14,800,000	16,000,000	\$22,400,000	24,000,000	\$37,200,000
Sorghums, grain	do.	2,500,000	4,600,000			2,500,000	4,600,000
Barley	do.	6,000,000	10,800,000			6,000,000	10,800,000
Total, feed grain			30,200,000		22,400,000		52,600,000
Wheat	do.	25,000,000	91,300,000	370,000,000	740,000,000	395,000,000	831,300,000
Rice, milled equivalent	Hundredweight			13,500,000	106,975,000	13,500,000	106,975,000
Beans, dry edible	do.			25,000	195,000	25,000	195,000
Cotton:							
Extra-long staple	Bale	25,000	6,975,000			25,000	6,975,000
Upland	do.	375,000	69,400,000	375,000	56,250,000	750,000	125,650,000
Tobacco	Pound			37,100,000	26,970,000	37,100,000	26,970,000
Butter and products	do.					13,000,000	7,930,000
Cheese	do.	13,000,000	7,930,000			13,000,000	7,930,000
Milk, nonfat dry	do.	3,000,000	1,200,000			3,000,000	1,200,000
Vegetable oils	do.	17,000,000	2,662,000			17,000,000	2,662,000
Miscellaneous	do.			690,000,000	75,000,000	690,000,000	75,000,000
Total commodity costs			209,657,000		1,081,790,000		1,291,447,000
Ocean transportation (metric tons)—							
On tonnage shipped under agreements signed prior to Jan. 1, 1965—5,462,000, at \$24.84							135,651,000
On tonnage shipped under agreements signed after Dec. 31, 1964—964,000, at \$10.50							10,122,000
Total ocean transportation							145,773,000
Total, expenses of shipments							1,437,220,000
Interest expense on unrecovered balance							6,000,584
Total expenses							1,443,220,584
Receipts from sales of foreign currencies and loan repayments							—13,188,000
Total current year costs recoverable from appropriation							1,430,032,584
Unrecovered 1964 costs paid from 1965 funds							454,967,416
Total estimate							1,885,000,000
Total appropriation							—1,612,000,000
Unrecovered 1965 costs included in supplemental							273,000,000

LONG-TERM SALE FOR DOLLARS

Senator HOLLAND. In regard to Title IV: Long-Term Supply Contracts, you originally requested \$55 million. Congress approved \$35 million. You are now proposing a supplemental of \$233 million. In the third paragraph, on page 4 of your statement, the only justification you provide for placing the cost of title IV expenses on a current basis, in this large amount, is that you state that under the installment basis these sales, which involve periods of up to 20 years, place a heavy burden on the CCC's borrowing authority. What is the significance of this statement, Mr. Godfrey, and how much is the current burden on borrowing authority of the Corporation from this and prior years?

Before you answer that question, it is very apparent that there has been some very substantial change in this particular field since your annual request for 1965 and that this very large supplemental request shows such change. I think our question is really to bring out what is that change and why is it so large and to show what the current borrowing authority of the Corporation, from this and prior years, has been.

Mr. MURPHY. We will be glad to provide an answer to that for the record, Senator Holland. I am sure with time, though, it results primarily from a shift of sales from title I to title IV. Speaking generally, we regard it as desirable to shift from title I to title IV whenever we can because we get dollars under title IV instead of the foreign currency. Part of this, I am reasonably sure, you will find due to the fact that certain countries were made ineligible for title I sales by legislation enacted after our budget was submitted last year. While they were made ineligible for title I sales, they were made eligible for title IV sales. So there are some transactions of that kind which would increase the amount for title IV.

Senator HOLLAND. The question was: How much is the current burden upon borrowing authority of the Corporation from this in prior years? You can show that for the record?

Mr. MURPHY. Yes, sir.

Mr. BEACH. \$125 million to 1964 and \$233 million, Mr. Chairman, through June 30, 1965.

TOTAL SUPPLEMENTAL REQUEST

Senator HOLLAND. That is the total of your supplemental request?

Mr. BEACH. Yes, sir. This is the total amount that we estimate will be due on title IV sales, which are credit sales, at the end of June 1965.

Senator HOLLAND. In other words, you think the \$233 million will be all that will be required?

Mr. BEACH. Yes, sir.

Senator HOLLAND. When were those sales made?

Mr. BEACH. Most of them would have been made this year—in fiscal year 1965. I don't have that breakdown with me.

Senator HOLLAND. I think we would be very interested to see that whole operation very clearly by the tables which you put in, because

here is such a large change in this particular picture as to require a very clear showing of why it occurred.

Mr. BEACH. I would like to correct what I said. I said most would be in 1965. That is not so. This is an accumulation of all credit sales that we will have made through June 30, 1965.

Senator HOLLAND. Why the great disparity between your estimate which occurred at the hearing on the annual budget, at which time you said you would need \$55 million, and now, after getting \$35 million, you are asking for \$233 million as a supplemental for this year, 1965? You think that will just carry you through June of this year. Why the great change? That is something you can show for the record.

Mr. BEACH. All right.

SALES AGREEMENTS

Senator HOLLAND. Have you developed or have you in process of development firm sales agreements which will require a total of \$268 million for the expenses of this program in fiscal 1965?

Mr. GODFREY. They either have been developed or they are in the process of being developed. But it would not be chargeable all to fiscal 1965. This statement that you requested previously will show the change in accounting processes to where we are asking for reimbursement of all unrecovered title IV expenses for shipments made in prior years as well as for the full reimbursement for net expenditures on shipments during the current year.

Senator HOLLAND. How much of this total of \$233 million supplemental is represented by accumulations in prior years?

Mr. BEACH. About \$125 million.

Senator HOLLAND. Let's show this all very clearly for the record, because it is a very puzzling thing to us to see how this picture has changed since we had this hearing of last summer, whenever it was, in July or August.

Mr. BEACH. Yes, sir.

(The information referred to follows:)

STATEMENT ON PUBLIC LAW 480 FINANCING, TITLE IV

Since fiscal year 1962 Public Law 480, title IV costs to be received from foreign governments, by installments as long as 20 years, have been financed by CCC borrowing authority.

Generally, appropriations have only been requested for the difference between the export prices and the CCC costs less any estimated installment repayments during the fiscal year. Title IV programing has progressively increased since the program was activated in 1962. The Corporation is required to bear the heavy burden of financing the amounts to be repaid by foreign governments over an extended period, up to 20 years. There is no specific indication in Public Law 480 legislative authority to require the Corporation to finance such costs over this extended period.

COMMODITY CREDIT CORPORATION

Long-term credit and supply contracts, Public Law 480, title IV—Composition of amounts to be recovered from foreign governments

[In thousands of dollars]

	Fiscal years			
	1962 actual	1963 actual	1964 actual	1965 estimate
Balance outstanding, start of year:				
Principal.....		19,360	79,268	124,027
Interest.....		17	1,116	1,550
Total.....		19,377	80,384	125,577
Costs incurred during year:				
Principal.....	19,360	60,012	47,657	170,650
Interest.....	17	1,133	2,207	2,800
Total.....	19,377	61,145	49,864	173,450
Repayments by foreign governments:				
Principal.....		104	2,898	7,900
Interest.....		34	1,773	2,800
Total.....		138	4,671	10,700
Balance due from foreign governments, end of year:				
Principal.....	19,360	79,268	124,027	286,777
Interest.....	17	1,116	1,550	1,550
Total.....	19,377	80,384	125,577	¹ 288,327
1963 and 1964 unused funds available.....				-19,927
1965 appropriation available.....				-35,000
Total funds available.....				-54,927
Estimated net costs financed by CCC borrowing authority as of June 30, 1965.....				233,400

¹ The foreign governments would pay these amounts to the Corporation over the contract period. The subsequent appropriations will be reduced by the amount of the repayments.

INTERNATIONAL WHEAT AGREEMENT

Senator HOLLAND. Now, for the International Wheat Agreement, in regard to the International Wheat Agreement, when does the present agreement expire, and what are the provisions of that agreement in terms of subsidy payments?

Mr. GODFREY. The present agreement will expire at the end of this year.

Senator HOLLAND. The fiscal year or the calendar year?

Mr. GODFREY. July 31, 1965. There is a meeting of the organizing committee and the International Wheat Agreement Committee to be held very shortly.

In terms of the agreement, it provides minimum and maximum prices, and the reimbursements here are for the sales that have been made within the terms of the agreement, or reimbursement for export payments or subsidy on sales that have been made within the terms of the agreement.

Senator HOLLAND. Do you mean you sold under the agreement at prices less than your acquisition prices plus storage?

Mr. GODFREY. Yes, sir. The world or export price is less than the U.S. domestic price.

Senator HOLLAND. And that was required by terms of the agreement?

Mr. GODFREY. Yes, sir.

Senator HOLLAND. I yield to Senator Young.

POSITION OF ADMINISTRATION

Senator YOUNG. Does the present administration feel that it would be desirable to extend the International Wheat Agreement? Or do you believe it would be just as well to let it expire? Has the administration taken a position?

Mr. MURPHY. Yes, sir. We took the position in the last meeting that was held in London, I think it was in November, to support the 1-year extension definitely, with the possibility of a second year being added by an affirmative vote of both the exporters and the importers.

Senator YOUNG. What losses would there be to the Nation as a whole if we let it expire? What would be the disadvantage?

Mr. MURPHY. Senator, first, let me say this is a question about which there is a very considerable difference of opinion among the experts on this subject. I should say among our departmental experts on this subject. Since I am not an expert on this subject, I couldn't give you a very authoritative answer. This is a question that Secretary Freeman and I have been asking a good many times in recent weeks, and I am not sure that we have gotten an answer that is overwhelmingly convincing either way.

THEORY OF WHEAT AGREEMENT

The theory is that it stabilizes the price for most of the international commercial trade in wheat. It fixes a range with a minimum price and a maximum price, and the importing countries undertake an obligation to purchase within that range, and the exporting countries undertake to make wheat available without going above the top of the range. We have had very few experiences where the price minimum or maximum actually operated to hold the price of wheat down on the one hand or to increase it on the other. It tends to bring stability into international trade in wheat. Whether it is a plus or minus for us, all things considered in the present circumstances we do not regard as a clearly answered question by any means. One of the difficulties that we have with a firm commitment and extension for more than 1 year is the fact that our current wheat legislation expires with this year's crop and the kind of undertaking that we can make to comply with the International Agreement in the future, after that marketing year which applies to that crop, is a matter that we are not altogether certain and comfortable about.

IMPACT OF TARIFF DISCUSSIONS

Senator MUNDT. What impact, if any, will this Kennedy round of tariff discussions and the Common Market activities in France and Germany have on this International Wheat Agreement?

Mr. MURPHY. It has been generally contemplated that we would move from the International Wheat Agreement into a grains agreement that would replace the International Wheat Agreement, which would apply to grains in addition to wheat, which would fix the terms for international trade in those grains. We have had a very considerable difference of opinion, or bone of contention, with the Com-

mon Market countries in this regard because we have felt that it was essential to have some guarantees of access to that market in quantitative terms, particularly because of the policy they have followed about establishing a relatively high internal price for grains, which will have the effect of encouraging the production of grains within the Common Market countries, especially in France. The terms that might be included in a general grains agreement of this kind are by no means agreed upon or even spelled out very clearly, Senator.

Senator MUNDT. I was wondering if one of the reasons you were thinking about a 1-year extension was because you had so many imponderables.

Mr. MURPHY. Yes, sir. I was about to say that that is one of the reasons we were thinking only about a 1-year extension, because we feel we will probably be in a better negotiating position if we have more freedom of action which we would have at the expiration of 1 year.

Senator MUNDT. Thank you.

CLEAR JUSTIFICATION OF REQUEST URGED

Senator HOLLAND. The situation on the International Wheat Agreement Supplement is another one that I think calls for a very clear explanation in the record. As I recall, the regular appropriation requested last summer was around \$32 million, or \$31,838,000, and the whole amount was supplied in the appropriation bill.

Now you are asking for an additional supplemental of \$55 million. I note from the statement of Mr. Godfrey that you say that \$30 million of that is an increase in the budget for this year, and that unrecovered 1964 costs of \$25 million are added, making a total of \$55 million.

I wish you would give us a clear picture on that. It is not clear from the record so far why that huge increase after the full amount of the budget request was granted.

Mr. MURPHY. We will be glad to clarify that for the record, Senator. In the meantime, I will be glad if I can say now that this represents the export subsidy on commercial sales of wheat under the International Wheat Agreement. The increase in expenditures in the last fiscal year, I am sure we will find, result from the fact that our dollar exports were larger than we anticipated at the time we testified, or at the time the budget was submitted. And since the dollar exports were larger, it was necessary to pay the export subsidy on a larger quantity of wheat.

The additional funds for the current fiscal year I think are needed for quite a different kind of reason. That is because at the time the budget was submitted last year, it was submitted on the basis of a legal situation that provided a wheat program that never has been in effect, either last year or this year. But the law at that time provided, as Mr. Godfrey indicated earlier, to have a wheat program where we would have a market price depending on the support loan of \$1.26, with no export certificates involved. In that kind of a situation, we would have expected to have no export subsidy paid at all.

Then Congress did later on enact the wheat law which provided for export certificates which made it necessary to pay an export subsidy level somewhat lower than we had in earlier years. This explains the

reasons for these payments this year. We are very glad Congress did enact that law, as it was our desire. That was an expenditure, though, we were not able to put into the budget at that time.

Senator HOLLAND. I think you better look at this record pretty carefully and supplement it enough to clearly explain this situation, because it requires explanation.

Mr. MURPHY. We will be happy to do that.

CHANGES IN REQUEST OBVIOUS

Senator HOLLAND. When you request \$32 million and it is all granted, and you come back with a supplemental request for \$55 million, it is obvious that there have been very great and substantial changes, and it is particularly difficult to understand how the \$25 million of claimed additional need for 1964 would have come up after that time, because 1964 was all over at the time of the action by the Congress last year. That whole story should have been more clearly understood.

Mr. GODFREY. We will provide for the record full information on this, Mr. Chairman, but I seem to recall, and Mr. Eskildsen is here to back me up and Mr. Murphy, too, that the budget request for the \$31 million originally anticipated commercial exports under the International Wheat Agreement much lower than we actually achieved. The prospects for these exports and the actual exports increased materially during the first half of last calendar year, which was the latter half of the fiscal year—after the budget had been submitted to the Congress.

As a result of these dollar sales increasing materially, for example, the sale of wheat to Russia, then we had to pay the export subsidies on the increased amount. This was not in the International Wheat Agreement but in the CCC loss. The exact amount of sales under the International Wheat Agreement was not known at the time the budget came forward last year. We knew a little more about it at midyear, but not complete information even at that time.

WHEAT SALES

Senator HOLLAND. The fact is that the more we sold, the more we lost, is that it?

Mr. GODFREY. The more we sold, the more export subsidies we had to pay; yes, sir.

Mr. MURPHY. I would like for the record to show at this point that when we pay an export subsidy, at the same time we do realize or receive the export value for the wheat.

Senator HOLLAND. But as a Government, the more we sell, the more we lose.

Mr. MURPHY. No, sir; not in this case, because we sold some of this wheat out of Government inventory. We sold a very substantial amount of it. According to the best of my recollection, we were receiving a price of around \$2 a bushel domestically. So we were getting about \$2 a bushel and paying perhaps 50 cents a bushel in subsidies, so we were coming out \$1.50 ahead.

Those numbers are not precise.

Senator HOLLAND. Why is it, then, that we are asked to pay \$25 million more for that year's business simply because the volume of sales increased in that year?

Mr. MURPHY. That is because of the way the books are kept relating to this transaction. The 57-cent subsidy that was paid shows up. The subsidy is paid in order to compete and thus to effect exports; naturally the more we succeed in disposing of wheat by export, the greater the aggregate subsidy.

Senator HOLLAND. I think it is highly important that you make this very clear in a statement which even a Senator or Congressman can understand, because it is very hard now for me to understand that you increase sales because the price went up and the demand went up, and went up well beyond the International Wheat Agreement price, and now you need \$25 million more to make up the deficit for that year which resulted from those fine sales. I do not understand it.

Mr. MURPHY. If we had not been able to make those sales, Senator, I think we would find that we would be requesting an amount of money that would have shown up because we could not make the sales. It would have been under a different item, but I think it would have increased the total expenditures picture. Domestic prices went up more than international prices, which remained well within the International Wheat Agreement range. Rates of export subsidy payment increased slightly, but the principal cost increase is attributable to unexpectedly large quantities of wheat exported commercially under the agreement.

SITUATION UNCLEAR

Senator HOLLAND. We understand that you got it out of your inventory, but the whole transaction is not clear, at least to me as one Senator, and I hope you will make it very clear, because it is very hard to understand how, when the price went up, and you were selling for a price above your investment, that now you find that those gratuitous sales increased the amount you have to have by way of repayment of losses sustained an additional \$25 million.

Mr. MURPHY. Excuse me, sir. I do not think these sales were made at a price that was above our investment. The export sales were made at the world price which was more than 50 cents below the domestic level.

Senator HOLLAND. Suppose you make that clear.
(The information requested follows:)

The International Wheat Agreement expires July 31, 1965. The agreement of 1962 was ratified by 10 exporting countries and 38 importing countries. It covers all commercial trade in wheat and wheat flour between member countries and establishes maximum and minimum prices at \$2.02½ and \$1.62½ a bushel, basis No. 1, Manitoba Northern wheat in bulk in store Fort William/Port Arthur, Canada. Within the price range, importer members purchase specified percentages of their total commercial purchases from member exporters. At the maximum price, exporter members are obligated to furnish any quantities not already purchased up to a moving average equal to importer members historical commercial purchases during a 5-year period.

The United States is an exporting member. Importing members may purchase wheat and wheat flour in the United States from commercial exporters. The Corporation, using its funds and stocks of wheat, finances all U.S. exports under the agreement.

An unusual demand of wheat by importing countries with record exports was experienced in 1964. Since we pay export subsidies on all wheat exports, the resultant export subsidy increases were also reflected for the IWA shipments. Any increase in domestic market prices with no increase in export prices would result in increased subsidy payments. The bumper exports in 1964 resulted in actual IWA shipments totaling 220 million bushels as compared to the 1964 budget estimate of 110 million bushels.

INTERNATIONAL WHEAT AGREEMENT—SHIPMENT BY TYPES

Comparison of budget estimates with current estimates, fiscal year 1965¹

Item	1965 budget			Current estimate			Increase (+) or decrease (-)		
	Bushels	Amount	Average cost per bushel	Bushels	Amount	Average cost per bushel	Bushels	Amount	Average cost per bushel
Commercial exports:									
Cash payments differential to commercial exporters of wheat flour.....				12,000,000	\$4,200,000	\$0.35	+12,000,000	+\$4,200,000	+\$0.35
Payments-in-kind to commercial exporters of wheat.....				88,000,000	22,000,000	.25	+88,000,000	+22,000,000	+.25
Total cost of commercial exports.....				100,000,000	26,200,000	.262	+100,000,000	+26,200,000	+.262
Exports of Commodity Credit Corporation wheat via commercial exporters.....				10,000,000	2,500,000	.25	+10,000,000	+2,500,000	+.25
Total commodity costs.....	120,000,000			110,000,000	28,700,000	.261	-10,000,000	+28,700,000	+.26
Operating expenses.....		\$179,000			193,000			+14,000	
Total expenses of shipments.....		179,000			28,893,000			+28,714,000	
Interest expense on unrecovered balance.....					1,062,528			+1,062,528	
Total expenses, current year costs recoverable from appropriation.....		179,000			29,955,528			+29,776,528	
Unrecovered 1964 costs brought forward.....		31,659,000			156,838,472			+25,179,472	
Total appropriation or estimate.....		31,838,000			86,794,000			+54,956,000	

¹ Details in following table.

Comparison of 1964 budget estimate with actual

Item	Fiscal year 1964 in 1964 budget			1964 actual			Increase (+) or decrease (-)		
	Bushels	Amount	Average cost per bushel	Bushels	Amount	Average cost per bushel	Bushels	Amount	Average cost per bushel
Commercial exports:									
Cash payment differential to commercial exporters of wheat flour.....	16,163,000	\$14,390,000	\$0.89	12,969,139	\$9,891,588	\$0.76	-3,193,861	-\$4,498,412	-\$0.13
Payment-in-kind to commercial exporters of wheat.....	90,276,000	54,773,000	.61	179,915,157	99,468,009	.55	+89,639,157	+44,685,009	-.06
Total cost of commercial exports.....	106,439,000	69,163,000	.65	192,884,296	109,359,597	.57	+86,445,296	+40,196,597	-.08
Exports of CCC wheat via commercial exporters.....	3,561,000	2,337,000	.66	26,811,277	15,578,120	.58	+23,250,277	+13,241,120	-.08
Total commodity costs.....	110,000,000	71,500,000	.65	219,695,573	124,937,717	.57	+109,695,573	+53,437,717	-.08
Interest expense.....					667,828			+667,828	
Operating expense.....		200,000			177,503			-22,497	
Total, expenses of shipment.....		71,700,000			125,783,048			+54,083,048	
Unrecovered 1963 costs financed in 1964.....		20,656,000			17,273,424			-3,382,576	
Total costs.....		92,356,000			143,056,472			+50,700,472	
Appropriation applied.....					86,218,000				
Unrecovered 1964 costs.....					56,838,472				
1965 appropriation applied to 1964 costs.....					1-31,659,000				
Unrecovered 1964 costs included in 1965 supplemental.....									
					25,000,472				

¹ Excludes \$179,000 for 1965 operating expense.

STORAGE COSTS ON WHEAT

Senator YARBOROUGH. Gentlemen, I notice on your statement, International Wheat Agreement, 110 million bushels exported at 26 cents per bushel export payment. What is the cost for storage of a bushel of wheat per year?

Mr. GODFREY. The actual cost of storage is a little over 13 cents per bushel. There are some other costs incident to the handling, other than storage costs, which would run the total cost per bushel somewhere in the neighborhood of 16 to 18 cents per bushel.

Senator YARBOROUGH. So this export payment would pay storage for about $1\frac{2}{3}$ years if you would keep it in storage?

Mr. GODFREY. Yes, sir.

Senator YOUNG. Was the export wheat certificate involved in this export wheat subsidy, the fact that the farmers are paid wheat certificates?

Mr. GODFREY. A PIK certificate was involved but not the wheat certificate you are thinking about for producers; no, sir.

Mr. MURPHY. It was not involved in 1964, but it is involved for 1965.

Senator YOUNG. That is so complicated I do not think I ever will understand it.

Mr. BEACH. The costs of International Wheat Agreement as such are required to be reimbursed to the Corporation, by law. Those costs are the costs of running the agreement plus the subsidy costs on wheat exported under the agreement. Any losses or gains realized from the wheat taken out of inventory, would show up in the reimbursement for CCC realized loss, which is a regular reimbursement to CCC. So, in effect, all you have here is the export subsidy on wheat exported under the International Wheat Agreement, whether it be from CCC stocks or commercial stocks plus expenses.

Senator YOUNG. And was the wheat sold to Russia and the satellite countries sold under the International Wheat Agreement price or was this a special deal?

Mr. BEACH. This would not have shown up here as an International Wheat Agreement transaction, as I understand it.

Senator HOLLAND. Russia is not a party to the International Wheat Agreement.

Mr. MURPHY. Yes, sir; it is.

Mr. GODFREY. As an exporter; yes, sir.

Senator HOLLAND. But not as an importer.

Mr. GODFREY. No, sir; but as a signatory country under the International Wheat Agreement we sold at the same export prices that we were selling to all other countries. When this sale was made, even though it was made through regular commercial channels, PIK certificates were issued for the export subsidy that was involved. This was not however a charge to the International Wheat Agreement, but was a part of CCC realized losses.

Senator HOLLAND. How much of this \$25 million and the \$30 million, the two deficits that you cover by this supplemental request, is chargeable to costs sustained by the Government in connection with the export to Russia?

Mr. GODFREY. We will have to check this because there were two different subsidies involved in the sale to Russia, I mean different because there were two different classes of wheat. We can furnish this total for the record.

Senator HOLLAND. All right.

(The information requested follows:)

Payment-in-kind certificates were issued on the Russian wheat sales in the amount of \$43,745,245.79 during the fiscal year 1964. This amount is included in the net realized losses of CCC.

PROGRAMS NOT REQUIRING SUPPLEMENTALS

Senator HOLLAND. I have two additional questions and they relate to title II and the barter title, title III. First, with reference to title II, you have no request for supplemental appropriations, under that, do you?

Mr. GODFREY. No, sir.

Senator HOLLAND. As I remember it, the act last year carried some \$220-plus million for expenses of emergency famine relief to friendly people under that title. How much of that amount do you now estimate would be expended during the current fiscal year?

Mr. BEACH. All but about \$7 million, Senator Holland. We can correct that for the record but it will be substantially all of it.

Senator HOLLAND. There will not be any carryover, then, of a substantial amount that the committee could turn to, in connection with meeting part of this supplemental?

Mr. BEACH. The estimate was \$7,123,000.

Senator HOLLAND. You estimate, then, that all of the \$220 million will be expended under title II, except some \$7 million; is that correct?

Mr. GODFREY. That is correct, sir.

Senator HOLLAND. Now for "Bartered materials," you are not asking for any supplemental appropriation under that item, are you?

Mr. BEACH. No, sir.

Senator HOLLAND. I notice that we appropriated, in the regular bill, nearly \$93 million, \$92.8-plus million, for that purpose—bartered materials for the supplemental stockpile.

What is the extent of the operation in this fiscal year under that appropriation?

Mr. GODFREY. This is highly uncertain but we estimate about \$22 million of what was appropriated would not be used.

Senator HOLLAND. How much has been used to date?

Mr. BEACH. We do not have that information here. We can give it to you for the record, Mr. Chairman. The use of these funds for transfers of bartered materials relates to the actual timing of the transfer of commodities that we acquire under the barter program. It does not follow any regular pattern. We will have to give you, for the record, the information as to how much has actually been transferred to date.

POSSIBLE UNEXPENDED FUNDS

Senator HOLLAND. Is it possible that there will be an unexpended amount there that we can turn to?

Mr. BEACH. The \$22.5 million is what our budget estimate indicated.

Senator HOLLAND. If we can see what you have spent up to now, we will have a better idea for ourselves.

Mr. GODFREY. We can insert a table, which I have before me, into the record which outlines the 1964 actual; the 1965 estimated; and the 1966 estimated, on the basis of the materials actually transferred and the 1963 costs that were paid from 1964 funds—the 1964 funds applied to the 1965 costs.

(The information requested follows:)

[In thousands of dollars]

	1964 actual	1965 estimate	1966 estimate
Materials transferred to supplemental stockpile.....	\$37,665	\$80,033	\$75,000
1963 costs paid from 1964 funds.....	35,522		
1964 funds applied to 1965 costs.....	9,673	-9,673	
1965 funds not applied to program.....		22,500	
1965 funds to be applied to 1966 costs.....			-22,500
Appropriation or estimate.....	82,860	92,860	52,500
Actual through Nov. 30, 1965:			
Materials transferred.....		16,804	
Balance available for 1965 and 1966 (Including 1964 funds).....		85,729	
Amount carried forward to 1966 (est.).....		-22,500	
Net available Dec. 1, 1964, to June 30, 1965.....		63,229	

EXPENDITURE OF PREVIOUS APPROPRIATION

Senator HOLLAND. What I want to see is how much is going to be left over out of our appropriation of nearly \$93 million this year because you are asking us for a very large supplemental appropriation.

If there is anything left from what we appropriated last year which we can turn to to lower the amount, we want to know what it is and where it is.

Mr. GODFREY. We estimate \$22.5 million; yes, sir.

Senator HOLLAND. If you will, furnish for the record the list of what you have done and what you expect to do, then we can make up our own minds as to what we think is available out of that.

(The information requested follows:)

Explanation of estimated unused portions, 1965 appropriations

Appropriation item	Amount
Public Law 480, title II.....	\$7,123,365
Bartered materials for supplemental stockpile.....	22,500,000
Total.....	29,623,365

Public Law 480, title II.—A 1965 appropriation of \$220,453,000 was provided for 1965 and unrecovered prior-year costs. After deducting unrecovered 1964 costs of \$2,791,635, a balance of \$217,661,365 remained available for 1965 costs. Such costs are currently estimated at \$210,538,000, leaving unused funds of \$7,123,365 available for 1966 costs as indicated below:

Appropriation provided in 1965.....	\$220,453,000
Deduct:	
Total estimated costs, 1965.....	-210,538,000
1965 funds applied to 1964 costs.....	-2,791,635
1965 appropriation remaining available, to be applied to 1966 costs.....	7,123,365

And reduced the 1966 appropriation request as follows:

1966 estimated costs-----	\$305, 623, 365
1965 funds to be applied to 1966 costs-----	—7, 123, 365

1966 appropriation request-----	298, 500, 000
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Bartered materials for supplemental stockpile.—A balance of \$9,673,359 of the 1964 appropriation remained available for 1965 costs. An appropriation of \$92,860,000 was provided for 1965 costs. Therefore, total funds of \$102,533,359 are available for estimated 1965 costs of \$80,033,359, leaving \$22,500,000 for use in 1966 as follows:

1964 funds available for 1965 costs-----	\$9, 673, 359
1965 appropriation provided-----	92, 860, 000
Deduct: Estimated 1965 costs-----	—80, 033, 359

1965 appropriation remaining available for 1966 costs-----	22, 500, 000
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And reducing the 1966 appropriation as follows:

1966 estimated costs-----	75, 000, 000
1965 funds to be applied to 1966 costs-----	—22, 500, 000

1966 appropriation request-----	52, 500, 000
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SCOPE OF BUDGET REQUEST

Mr. GODFREY. I might point out here, Senator Holland, that the amounts estimated to be carried over, like the \$22 million and the \$7 million have been taken into account as reductions in the requests for 1966.

Senator HOLLAND. Do you mean that you have already carried over unexpended balances under titles II and III into your 1966 budget request?

Mr. GODFREY. Yes, sir; into the 1966 budget request. The 1966 budget request reflected these carryovers.

Senator HOLLAND. Thank you very much.

Senator Young?

USE OF FOREIGN CURRENCIES

Senator YOUNG. I have some questions with respect to foreign currencies which I believe you might furnish for the record. Some of them are a little complicated. Let me ask this one: Do you have any problem in using enough of these foreign currencies for programs relating to agriculture? Are you allowed to use as much of these funds as you would like to for agricultural purposes abroad?

Mr. MURPHY. Senator, this varies from agreement to agreement with the different countries. There are some rather detailed provisions in the law, itself, relating to the use of those currencies that are permitted. Within the limits of the framework of the law these different agreements do vary.

Mr. Eskildsen is here, who works rather closely with this field regularly. I think he can give you information on that.

Mr. ESKILDSEN. Senator, I take it your question is directed primarily to the use that the Department makes of these currencies with respect to market development efforts abroad?

Senator YOUNG. That and research programs or any other uses that would be of benefit to agriculture.

Mr. ESKILDSEN. With respect to the market development that we undertake, we do have provisions in all agreements we now sign, which is required by law, which provide for the transferability of some of these softer currencies into harder currencies by the country which receives our commodities.

I should say at the moment enough of that is done to cover the amount of work that we can reasonably carry on with the kind of organizations and the manpower we have to undertake the effort.

I think the answer with respect to the market development part of this job is "Yes," that we do have adequate funds.

RESEARCH FACTOR

Now, with respect to the research part of it, I am a little less acquainted with that, because most of this is handled in detail by another agency in the Department.

My understanding is that we have gotten a lot of good work done in a number of countries. I do not know that there is any particular hampering on the basis of lack of funds on that side of the picture. Of course, the research we undertake often has to be done, if it is going to be done well, in countries aside from those countries where we sell the commodities. This, in itself, is a complicated factor in the whole situation.

Senator YOUNG. Are we using any of these currencies now for utilization research?

Mr. ESKILDSEN. Yes, sir.

Senator YOUNG. We are supporting research to find new uses for agricultural commodities?

Mr. ESKILDSEN. Yes, sir.

Senator YOUNG. In what countries?

Mr. ESKILDSEN. We are doing work on utilization as well as pure research, and I can't be sure about the separation of countries. But I think we are doing work in Israel, and probably Yugoslavia—

Mr. GRANT. It is in all the so-called excess currency countries, Israel, India, Poland, Yugoslavia. We have some currencies that were made available in early agreements in Finland, and a few other countries such as that. The big problem in research operations is that the funds are made available for activities in the countries where the currencies are in excess of normal U.S. needs, and in the countries where they are not in excess we do have trouble getting them. The problem is one of balance of payments.

UTILIZATION RESEARCH BY GERMANY

Senator YOUNG. Germany is a country that has done a lot of research, and probably is among the best in the research field including that of utilization research. Could you have a utilization research program carried on by the Germans but paid for with currencies that were accumulated in other countries?

Mr. ESKILDSEN. We could not, of course, get the Germans to accept the other currencies, and this would impose upon us the necessity of providing for extended convertibility of soft currencies if we are going to carry out additional programs in a country like Germany, since we

do not have any of these types of programs in the hard currency countries like Germany.

Senator YOUNG. Do you have a report indicating activities in the field of utilization research?

Mr. ESKILDSEN. I am sure we have, Senator. We can supply that for the record.

Senator YOUNG. And would you send me a copy?

Mr. ESKILDSEN. Yes.

Senator YOUNG. I will submit these questions to you and you can supply the answers to them.

(The information referred to follows:)

Do we have any problems with respect to the use of these currencies to carry out U.S. programs abroad?

There are no particular problems with respect to the use of foreign currencies accruing under title I, Public Law 480, agreements to carry out current U.S. programs abroad. In general, the foreign currencies are promptly used as soon as they become available either as payment for agricultural commodities or as payment of principal and interest on loans. The new provision for use of currencies, added as section 104(t) of Public Law 480 by the last session of the Congress, is incorporated as standard practice in all title I, Public Law 480, agreements.

What are some of the uses of foreign currencies other than for U.S. agricultural programs in other countries?

The uses of foreign currencies are set out in section 104 of Public Law 480. Section 104(a) provides for uses of foreign currencies for agricultural market development and section 104(k) provides funds for research, including agricultural research. The other sections run through the alphabet from section 104 (b) through (t). Most of these other than sections 104 (c), (e), and (g) are for U.S. Government use, including payment of U.S. obligations abroad; financing international education exchange activities; financing translation, publication, distribution of books and periodicals; acquiring buildings and grounds for U.S. Government use; financing participation in trade fairs; providing assistance in U.S. sponsored schools, among others. Of the other uses, section 104(c) is for contributions to the common defense, 104(e) is for loans to private enterprises and in some cases for grants for economic development, and 104(g) is for loans for economic development.

What becomes of the soft currencies and why don't we use them instead of sending dollars abroad?

We use the foreign currencies to pay expenses of U.S. Government agencies abroad to the greatest extent possible. By doing so we avoid sending dollars abroad to a considerable extent.

The title I, Public Law 480 agreements, in accordance with the law, provide that not less than 2 percent of the proceeds of the sales and loan agreements are converted into foreign currencies as determined by the Secretary of Agriculture to be needed to carry out agricultural market development programs in other countries which offer a potential for becoming dollar markets for U.S. agricultural commodities. Also, the title I agreements generally provide for the convertibility of some of the funds, generally around 2 percent for financing international education exchange activities under section 104(h) in other countries. These amounts, in addition to those mentioned above, help to make possible the use of these foreign currencies instead of sending dollars abroad.

The balance of the foreign currencies are for the most part used for economic development within the countries receiving the agricultural commodities. Since these countries have inadequate foreign exchange resources they still need additional dollar or other hard currency financing to provide the additional nonagricultural items their economies require.

Do you have any agreements in countries where we will not use the currencies?

All of our title I, Public Law 480, agreements provide for the currencies to be used by the U.S. Government to meet the requirements of U.S. Government agencies. Because in a number of countries we already have on hand a greater supply of the currencies than we are likely to need for several years, it will be

some time before the additional currencies accruing from current and future agreements can be used to meet the needs of U.S. Government agencies.

What are our supplies of excess currencies and of nonexcess currencies?

Our supplies of excess currencies as of June 30, 1964, amounted to \$2,326,567,804. Our supplies of nonexcess currencies as of the same date amounted to \$480,521,801. These currencies have accrued mostly from Public Law 480 operations but they include small amounts of currency accruing from other Government programs.

What was our dollar total of foreign currencies in 1964 and what are the estimates for fiscal years 1965 and 1966?

Our dollar total of foreign currencies collected in fiscal year 1964 was \$1,119.3 million. The estimate for fiscal year 1965 is \$1,200 million. The estimate for fiscal year 1966 is \$1,065 million.

How much of these dollar equivalents are available to us for our own uses and how much for foreign national uses?

Of these dollar equivalents in fiscal year 1964 \$180.3 million are available to us for U.S. Government uses and \$939 million for foreign country uses. The estimate for fiscal year 1965 is \$200 million for U.S. Government use and \$1 billion for foreign country uses. The estimate for fiscal year 1966 is \$200 million for U.S. Government use and \$865 million for foreign country use.

What has been the total of firm sales agreements since the beginning of the program to date under title IV?

A total of 52 agreements and amendments with 21 different countries has been concluded under title IV government-to-government agreements. This amounts to an export market value, including ocean transportation, of \$392,918,000. In addition a title IV agreement with a private trade entity in Iran was signed on December 31 with an export market value, including ocean transportation, of \$750,000.

When the U.S. wants to carry out a program in a country where our holdings of currencies are nonexcess, can we draw on the currencies of other countries, such as India or Poland or Egypt, where our local currencies are in excess to our foreseeable needs?

Under the provisions of an amendment of section 104(a) of Public Law 480 approved August 8, 1961, provision is made for conversion of not less than 2 percent of the sales under title I agreements to other currencies which the Secretary of Agriculture determines to be needed to carry on market development under the section. Through fiscal year 1964, a total of more than \$34 million had been converted primarily from excess currency countries to other countries having greater market potential. This conversion has included some funds for utilization research associated with market development. A little more than \$13 million is being converted for fiscal year 1965. Present policy is to convert where the currencies are to be purchased with appropriations under regular agency appropriations. Conversions are not being authorized to be purchased under the special foreign currency appropriations. Funds currently appropriated for agricultural research are included in the special foreign currency appropriation.

Pursuant to provisions contained in sales agreements, conversion has been made of substantial amounts from excess foreign countries to other countries for use in carrying out international educational exchange activities pursuant to section 104(h) of Public Law 480.

In addition official U.S. travel to excess currency countries is paid with the currency of those countries and in many cases stopovers are made in nonexcess countries to transact Government business.

To the extent indicated above, we draw on the currencies of countries where the currency is in excess of foreseeable U.S. needs to carry on programs in other countries.

MARKET DEVELOPMENT RESEARCH UNDER SECTION 104(a) OF PUBLIC LAW 480

Foreign currencies, generated by the sale of surplus agricultural commodities under title I of the Agricultural Trade Development and Assistance Act of 1954, are used by the Department for market development research under section 104(a) of the act. Work is carried on through agreements, in both basic and

applied fields, by research institutions and organizations in foreign countries. This research serves to develop new foreign markets and to expand existing markets for agricultural commodities, including cotton, dairy products, fats and oils, grain, feed, livestock and meat, poultry, fruits and vegetables, and tobacco. This work encompasses—

1. Utilization research, including the development of new or improved methods of utilizing agricultural materials.
2. Marketing research, including studies of food and fiber preference of foreign consumers, improvement of quality and acceptability of U.S. agricultural products in foreign markets, and improvement in handling and storage of agricultural products.

Market development research under Public Law 480 is designed to complement and not to duplicate or displace the regular dollar-financed research program of the Department.

The following selected examples of market development research under Public Law 480 are illustrative of the Department's program.

Improved preparation of potentially useful chemicals from soybean and linseed oils.—A new oxidation catalyst has been prepared that offers the possibility of using air as a chemical reactant for the oxidative conversion of soybean and linseed oils into highly reactive and potentially useful chemical products without using hazardous and expensive chemicals. The new catalyst (an oil-soluble, organo-metallic compound) has been found effective in catalyzing the air oxidation of an unsaturated fatty acid to a new organic acid that has potential for producing new polymers for use in plastics and adhesives. The use of air has a very distinct economic advantage over oxygen that could be used to produce the same end product (Italy).

Useful derivatives from vegetable oils and animal fats.—Research has yielded a large number of new chemical derivatives of fats and oils, known as alkyl aryl ketones. Screening tests have indicated that many of these derivatives have potential uses in such products as surface-active agents, plasticizers, fungicides, lubricants, and lubricant additives (France).

Storage of edible vegetable oils.—Studies revealed that crude soybean oil remained quite stable when stored at 30° C. for a period of about 1 year. On the other hand refined soybean oils showed definite changes due to oxidation when stored for the same period of time at the same temperature. This information indicates that vegetable oils destined for long storage periods should not be refined. The type of metal used to construct the storage container influenced the rate of oxidation. Any copper used in the container markedly accelerated oxidation (Italy).

High-quality soybean foods.—The Japanese use large quantities of soysauce (shoyu) in their diet. To test the quality of U.S. soybeans in the production of soysauce, a number of U.S. varieties were compared with the commonly used Japanese varieties of soybeans. The results showed that several U.S. varieties would produce higher quality soysauce at lower cost than the Japanese varieties. Larger exports of soybeans to Japan for this purpose can be expected (Japan).

Evaluation of U.S. soybeans for tofu production.—Tofu, or soybean curd, is a staple of the Japanese diet. Most American varieties of soybeans are unsatisfactory for tofu processing. Under a grant with the Japanese Tofu Association, 14 U.S. commercial varieties of soybeans have been evaluated for tofu production. The evaluation is being done on a laboratory, and pilot scale, also. Ten tofu manufacturers located in different parts of Japan are cooperating in carrying out the pilot scale tests. Two varieties have been shown to be satisfactory for tofu production. As a result of these investigations, Japanese tofu manufacturers are purchasing American soybeans on a varietal basis (Japan).

Evaluation of U.S. soybeans for production of miso.—Miso is a fermented soybean product high in salt content, and part of the daily diet of the Japanese. It is a cheeselike product used in soup. Most American soybeans are unsuitable for making miso. They are too hard and difficult to process. Thirteen U.S. commercial varieties, and about 25 experimental varieties have been evaluated for the production of miso, including determination of its softness and flavor. Harsoy and Yellaman varieties have been found to be good for miso production. Also, two of the experimental samples were easy to process and gave good quality miso. This research has expedited the sale of American soybeans on a varietal basis for miso production (Japan).

Basic method for determining baking characteristics of wheat flours.—Not all kinds of flour are equally well suited for baking good quality bread. None of

the various methods currently in use give reliable results in the sense of reasonably sure (let alone unequivocally predictable) baking behavior. The ultimate decision still depends upon a full-fledged baking test. Work is being done under a grant in Israel to develop a basic method for determining, reliably, the baking properties of flour. Results thus far obtained show good promise in the development of a method for forecasting dough baking quality which, in turn, will make possible an increased use of wheat varieties, specifically those which demand blending (Israel).

Antioxidants of oats.—Under an English grant, a new group of antioxidants from oats has been isolated and characterized. The new antioxidants may be useful for preventing rancidity in precooked oatmeal and other products processed with heat. Rancidity is not a serious problem in uncooked oat products because natural antioxidants in oats prevent rancidity. However, heat partially inactivates these antioxidants with the result that processed products become rancid in a short time unless an antioxidant is added. The antioxidants isolated from oats (which can be readily synthesized chemically) are ideal for preventing rancidity. The new antioxidants have a large potential use in the United States where nearly a billion bushels of oats a year are used for breakfast foods and processed feed for animals. These antioxidants have promise, also, in preventing rancidity of foods in general. These antioxidants are the subject of the first U.S. Public Service patent resulting from market development research with Public Law 480 funds (England).

"Red heat" of hides.—A condition known as "red heat" occurs in American hides shipped abroad. The condition is caused by several microbial organisms which invade the "flesh side" of salted hides and penetrate to the "grain side" resulting in serious damage to the finished leather. American hides apparently have too much adhering fat, making an ideal situation for the growth of the damaging organisms. Addition of certain chemicals, at low concentrations, to the curing salt prevents the growth of the undesirable organisms (Italy).

Discoloration of potatoes.—The tendency for the cut surfaces of potatoes to turn dark when exposed to air often lowers the quality of processed potato products, particularly prepeeled potatoes. Although darkening can be retarded by treating the tissue with sulfites, this may introduce an off-flavor that is objectionable. A study in England has shed new light on the phenomenon of darkening and suggests a new approach to solution of the problem. It was found that the major factor determining the rate of discoloration is the concentration of the compound, tyrosine, in the tuber and that the tyrosine level is largely influenced by the amount of water available to the growing plant and to a lesser extent by certain other cultural factors. Modification of irrigation schedules and other farming practices may yield potatoes much less susceptible to darkening. This will make possible the development of a consumer retail market for prepeeled potatoes, which until now have only been sold to institutional users because of their relatively short storage life (England).

Improving milk processing techniques.—Important basic information has been obtained which indicates that the heat treatment of milk during processing causes a degradation of the casein molecule into certain soluble nonprotein nitrogen substances. These substances are responsible for some of the problems encountered by industry. Identification of and biochemical studies on these compounds are expected to provide information for improving milk processing techniques (France).

Flavor development in sausage.—An intensive screening study of some 700 micro-organisms isolated from sausages and curing brines has shown the beneficial role of certain of these bacteria during the manufacture and ripening of dry sausages. When starter cultures prepared from three of these strains were used under manufacturing conditions, sausage of good flavor, aroma, and color were obtained. This new information will assist sausage manufacturers in producing a consistently good product (Finland).

Senator HOLLAND. So far as I know, those are all the questions that we have. We will close the hearing at this point. I hope you gentlemen will furnish this just as quickly as possible, all these considerable requests that we have made as we want to get the record printed as speedily as we can. We want to handle this legislation this week, if we can.

Mr. MURPHY. Thank you very much, Senator. We have much hope that you will be able to handle it this week, and we will supply this information very, very promptly indeed.

LONG RUN SAVINGS ON EXPORT PROGRAM

Senator YARBOROUGH. Is there in this sale of wheat under the export payments where you have a 26-cent-per-bushel payment, any saving to the Government in the long run on getting that wheat out of storage?

Mr. GODFREY. Yes, sir; there is.

Senator YARBOROUGH. Would you put a statement into the record showing what the savings have been on that, in getting it out of storage?

Mr. GODFREY. Yes, sir.

(The information referred to follows:)

Estimated export subsidy cost on 110 million bushels estimated to be exported under the International Wheat Agreement during fiscal 1965 is \$29 million. If such subsidy payments were not made, total exports would probably be reduced by this quantity and Commodity Credit Corporation inventories at the end of fiscal 1965 would be about 110 million bushels higher than currently estimated. Assuming this additional quantity would probably remain in CCC inventory for at least 3 years, storage costs on 110 million bushels of wheat for this period would total about \$43 million, compared with the estimated export subsidy of \$29 million on the same quantity. Thus the net savings on storage costs would amount to about \$14 million.

SPECIAL MILK PROGRAM

Senator HOLLAND. I have received a letter from Hon. William Proxmire in further reference to the special milk program, which I offer for the record at this point.

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
January 26, 1965.

HON. SPESSARD HOLLAND,
*Chairman, Subcommittee on Department of Agriculture and Related Agencies,
Senate Appropriations Committee, Washington, D.C.*

DEAR SPESSARD: As you may recall, on January 25, during hearings on Agriculture supplemental appropriations, I asked Mr. Charles L. Grant whether or not the special milk program had been further cut back in fiscal 1965 due to insufficient funds. He stated that he did not believe so, but would look into the matter further.

My further inquiries at the Department of Agriculture have disclosed that Federal participation in the program was cut by 3 percent in fiscal 1965 on top of a 2 percent cut in fiscal 1964 for an overall cut over the 2 fiscal years of 5 percent.

During hearings on the 1965 Agriculture budget, I put forth at some length the reasons why such a cut not only penalized children from lower income families but also represented no real saving to the Government in view of the fact that milk not used in the program might well have to be purchased by the Government at 75 percent of parity.

I am not going to press for an increase in funds for the special milk program at this time in view of the urgency of providing appropriations for the ongoing operations of the Commodity Credit Corporation, as well as our food for peace programs. However, I do want to serve notice that I intend to work just as hard as I can to convince the subcommittee of the importance of providing sufficient funds for this program for fiscal 1966. In my estimation, the budget request of \$100 million is grossly inadequate in view of past experience.

I would greatly appreciate the inclusion of this letter in the published hearings on the supplemental request so that the 1965 cutback in the special milk program, together with my intention to fight for an adequate program in 1966, may be a matter of public record.

Sincerely,

WILLIAM PROXMIRE, *U.S. Senator.*

COMMITTEE ADJOURNMENT

Senator HOLLAND. Thank you very much, gentlemen.
(Whereupon, at 12:14 p.m., Monday, January 25, 1965, the hearing adjourned.)

SUPPLEMENTAL APPROPRIATIONS FOR CERTAIN ACTIVITIES OF DEPARTMENT OF AGRICULTURE, 1965

MONDAY, FEBRUARY 1, 1965

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The committee met at 10 a.m., pursuant to call, in room S-128, U.S. Capitol, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Ellender, Hill, McClellan, Holland, Stennis, Pastore, Bible, Byrd, McGee, Mansfield, Bartlett, Proxmire, Saltonstall, Young, Mundt, Smith, Kuchel, Allott, and Case.

AGRICULTURAL COMMODITIES TO THE UNITED ARAB REPUBLIC STATEMENTS OF HON. GEORGE W. BALL, ACTING SECRETARY OF STATE, AND C. E. ESKILDSEN, ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICES, DEPARTMENT OF AGRICULTURE

DEPARTMENTAL POSITION RESPECTING HOUSE ACTION

Chairman HAYDEN. The committee will be in order. The chairman of the subcommittee, Senator Holland, will preside.

Senator HOLLAND (presiding). Thank you, Mr. Chairman.

I ask that the letter from Mr. Charles Murphy, Under Secretary of Agriculture, dated January 27, 1965, to the chairman of the full committee be placed in the record at this time. Rather than read it I will say for the benefit of other Senators that, while Mr. Murphy feels that the full amount requested by the Department would be sound handling of the situation, no appeal will be made at this time of the reduction in the amount made by the House.

The Department of Agriculture does however object to the amendment which was voted on the House floor providing that no part of the appropriation should be used during fiscal year 1965 to finance the export of any agricultural commodities to the United Arab Republic under the provisions of title I of Public Law 480.

(The letter referred to follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., January 27, 1965.

HON. CARL HAYDEN,
*Chairman, Committee on Appropriations,
U.S. Senate, Washington, D.C.*

DEAR SENATOR HAYDEN: House Joint Resolution 234, as passed by the House of Representatives on January 26, 1965, includes supplemental appropriations

totaling \$1,600 million to reimburse the Commodity Credit Corporation for losses under the price-support programs in 1962 and 1963, and for additional costs in 1965 for Public Law 480 and the International Wheat Agreement. This is \$142,209,000 below the budget estimates of \$1,742,209,000 for these purposes requested in House Document No. 59. The amounts approved by the House will enable the Corporation to meet its presently estimated requirements during the current fiscal year. However, the projected balance of available borrowing authority which should be provided to meet unforeseen needs would be reduced by \$142,209,000.

The resolution was amended during House debate to insert the following proviso at the end of line 13:

"Provided, That no part of this appropriation shall be used during the fiscal year 1965 to finance the export of any agricultural commodities to the United Arab Republic under the provisions of title I of such Act."

We recommend the deletion of this proviso from the joint resolution. However, this matter will be considered further by your committee, since we understand that hearings are scheduled on this subject tomorrow, January 28.

In view of the emergency confronting the Commodity Credit Corporation, we recommend prompt action by the Senate to approve the supplemental appropriations for the Corporation.

Sincerely yours,

CHARLES S. MURPHY,
Under Secretary.

HEARINGS SUSPENDED PENDING HOUSE ACTION

Senator HOLLAND. After the completion of our hearing a week ago today, we suspended further discussion of the matter and the markup of the bill until after House action. When the House acted it adopted certain reductions in the bill, which I have already said are not complained of specifically by the Department of Agriculture, though they say they would be able to handle the full job for the remainder of the fiscal year much more satisfactorily with the amount they had requested.

OBJECTION TO AMENDMENT RELATING TO PUBLIC LAW 480

But they object to the amendment relating to the Public Law 480 administration as to Egypt.

Later, the chairman of the full committee and I and other members of the Senate, I am sure, received strong protests from the Secretary of State.

I understand that Mr. Rusk was prepared to testify last week but was then asked by the President to go to London for the Churchill funeral ceremonies. The matter was then put over until today, so that the Department of State could make any presentation it cared to make to this committee, which is not the subcommittee, but the full committee.

Over the weekend I talked with Under Secretary Ball, who is here this morning, and was advised by him that Secretary Rusk after his return from London was advised by his physician not to attend the hearings today.

Mr. Ball, as I understand it, is appearing in place of Secretary Rusk but we are glad to have you with us, Mr. Ball. May I say I think it was wise to proceed to an early termination of this matter because after all the principal matter of discussion in this bill is the effort to keep the Commodity Credit Corporation in business, meeting the three types of demands which are related to the supplemental items contained in this bill.

The Egypt question is a secondary one and one of importance in the field other than meeting the immediate needs of the Commodity Credit Corporation to carry out its obligations. I am glad you are here and I suggest that first you make whatever statement you may desire and then I am sure members of the committee may wish to ask you questions.

STATEMENT OF ACTING SECRETARY BALL

Secretary BALL. Thank you, Mr. Chairman. May I say to you, sir and to the committee that I have spoken with Secretary Rusk and he asked me to extend to you both his regrets and his apologies for not being able to come here this morning. He is not seriously ill at all but he has a fever and the doctor did not feel he should leave his house until he has completely recovered.

I. This committee has before it the legislation that would deny the use of the supplemental Public Law 480 appropriation to finance any further authorizations for the sale of surplus agricultural products to the United Arab Republic under title I of Public Law 480 during the present fiscal year.

This legislation raises issues of fundamental importance to our foreign relations. I propose this morning to suggest to the committee reasons why this prohibitory amendment should not be enacted.

II. Ever since the dawn of history the Near East has been a critical crossroads in world affairs. It forms the land bridge between Europe and the Far East and between Europe and Africa. It contains more than two-thirds of the world's proven resources of oil. Particularly since the creation of the State of Israel in 1948, the whole area has been in a state of constant tension.

These tensions have been aggravated and exploited by the Communists who regard the Near East as a tempting target for penetration. They have long recognized its strategic significance.

III. They see it not merely as a vast reservoir of resources, but as a steppingstone to Africa and a promising terrain for operations to flank the NATO powers. They have, therefore, devoted great efforts to the extension of their influence into a number of Near Eastern states.

In approaching the problems of the Near East, the United States deals individually with the various countries of the Arab world. The United Arab Republic is the largest and most influential of those countries.

It contains one-third of the total Arab population. It controls the Suez Canal. It occupies a geographic position of great strategic significance. Our relations with the Near East are inextricably bound up with our relations with Egypt.

DECADE OF THE 1950'S

During the decade of the fifties, those relations were the center of world concern. The Aswan Dam crisis triggered a swift chain reaction. Egypt nationalized the Suez Canal. Egypt was itself attacked. The Iraq Petroleum Co.'s pipeline was cut. Our aviation rights were disrupted.

The Communist Party gained many adherents in the area and Soviet influence was substantially expanded throughout the Near East. We all remember the end of that sequence of events.

In July 1958, we had to send troops into Lebanon to protect the security and integrity of a friendly nation threatened by the subversion of outside forces.

IV. The events of the fifties brought into focus the hard fact that what happens in the Far East is of critical importance to our strategic sea, land, and air routes; to our vast oil investment; to the security of Israel and other countries in the area.

And closely related to these other interests is the prevention of expanded Communist penetration into the Arab world.

This lesson has served to shape U.S. policy during the past 5 years. We have sought to restore stability to the Near East. We have used all of the weapons of persuasion at our command.

On some matters we have been able to make our influence felt, on others not. For a period, there seemed to be a substantial lessening of tensions in the area. The underlying situation was, however, always precarious. Today the situation is volatile and dangerous and the shape of events during the coming year is by no means clear.

V. Faced with this situation what should the U.S. Government do? The fundamental answer, of course, is that we should not compromise with the protection of American vital interests. We do not, therefore, advocate a policy of weakness.

PRESIDENTIAL FLEXIBILITY ESSENTIAL

At the same time, a strong nation must act coolly and carefully. In a situation of this kind, it is essential that the President have the flexibility to do what a changing situation may require on a day-to-day basis.

We ask, therefore, that the Congress not limit the President's freedom of action in the conduct of our relations with this key country during the weeks ahead.

I do not know whether it will be possible to bring about the kind of understanding between the United States and the United Arab Republic that can contribute to peace and stability in the Near East and in Africa.

UNITED ARAB REPUBLIC AND UNITED STATES EFFORT NECESSARY TO IMPROVED RELATIONS

During the past few weeks, the relations between our two Governments have been anything but satisfactory. If an improved relationship is to be achieved, it will take a substantial effort by the United Arab Republic and not merely by the United States.

I cannot predict to this committee how events may evolve but I am sure this committee realizes that the stakes are high; that the task is not an easy one; and that, if the President is to succeed, he will need all possible flexibility.

VI. The specific question raised by the proposed amendment is a narrow one—whether the United States will be able to fulfill a 3-year Public Law 480 sales agreement we entered into with the United Arab Republic in October 1962. That agreement expires at the end of this fiscal year.

Senator HOLLAND. You mean on June 30 of this year?

Secretary BALL. June 30, 1965, that is right.

Under the present agreement the United States committed itself to sell \$431.8 million of U.S. surplus commodities. Of this amount, all but \$37 million have either been actually delivered or are subject to purchase authorizations issued to the United Arab Republic.

It seems to us that, at the very least, the President must be in a position—if he deems it wise—to complete deliveries under this agreement.

VII. Meanwhile, we shall continue, as we have been doing, to work assiduously for peace and stability in the Near East through all of the diplomatic means at our command.

PROTECTION OF U.S. VITAL INTERESTS

In that process we can assure this committee that our prime objective will be the protection of U.S. vital interests in a critical area of the world—an area that at once contains vast resources for peace and the elements that could lead to an explosion endangering the whole free world.

Now, Mr. Chairman, this is my prepared statement. I shall be very happy to answer any questions that this committee might have. Obviously this is a matter of very great sensitivity and if, at the conclusion of this discussion, or at any time, the committee would care to go into executive session, I would, of course, have more freedom to deal with some of these very sensitive problems.

ADVANTAGES OF PUBLIC STATEMENT

Senator HOLLAND. May I say to the members of the committee that I strongly urged the Secretary of State, and later the Under Secretary, who is here now, to make an open statement which would appear in our printed record because I felt that, if there were any developments in either direction in connection with action taken by this committee, all Members of the Senate should equally have the chance to see upon what showing those developments were based.

I further recognize, after talking with both the Secretary and the Under Secretary, and after having read the very full presentation made by the Secretary to the Foreign Relations Committee and others one day last week, that there were questions which could not be discussed on the record.

SUGGESTED PROPER INQUIRIES

I appreciate the fact that this very brief statement has been made. I think it should be amplified somewhat for the record. I would propose questions by members of the committee that deal with the nature of the contract, the nature of the obligation that exists and other questions that may be appropriate for the printed record be asked and be answered very frankly by the Under Secretary.

I think we can all understand that there are other questions having to do with the situation in the Congo with the situation in Sudan, with the situation in Saudi Arabia, with the situation in Yemen, with the situation as between our country and Israel, which very properly are not matters for open or public discussion.

I want to ask two or three questions if I may and then I shall be glad to have other members of the committee ask any questions that

appear to them appropriate. I think we must realize that, if there are questions which go into a field which should not become a part of the printed record, the Under Secretary should reserve the right to answer those questions in executive session, and I would hope that the chairman of the committee will support my view that an executive session after all proper matters for the public record have been explored would be appropriate under the circumstances.

Chairman HAYDEN. There is no question about that.

NATURE OF 3-YEAR AGREEMENT

Senator HOLLAND. First, I want to ask you, Mr. Ball, to explain a little more fully the nature of the present agreement. As I understand, and you state this in paragraph 6 of your prepared statement on page 6, the United States committed itself 3 years ago to sell \$431.8 million of U.S. surplus commodities to Egypt. This was by written agreement; was it?

Secretary BALL. That is right, sir. I think that statement is a little elliptical because when the agreement was signed on October 8, 1962, the actual amount agreed upon was \$390 million. In the meantime there have been some additional sums which have been agreed upon by supplements to this agreement. So that the total amount has now become \$431 million, I believe.

Senator HOLLAND. Do I understand that the copy of the agreement as supplemented from time to time was that which was furnished to me by letter from Dorothy H. Jacobsen, Assistant Secretary for International Affairs of the Department of Agriculture, on January 29 this year.

Secretary BALL. That is my understanding, Mr. Chairman.

Senator HOLLAND. Is there any reason why that agreement should not be made a part of the record?

Secretary BALL. Not at all. It is a public agreement.

Senator HOLLAND. I suggest that this agreement as supplemented and now representing, as I understand from your testimony, the full contract between our Nation and Egypt be inserted in the record. I further ask that a brief summary of the current status of the agreement and the letter of transmittal from the Department of Agriculture also be inserted at this point in the record.

(The information referred to follows:)

AGRICULTURAL COMMODITIES AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNITED ARAB REPUBLIC UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED (OCTOBER 8, 1962)

The Government of the United States of America and the Government of the United Arab Republic,

Recognizing the desirability of expanding trade in agricultural commodities between their two countries and with other friendly nations in a manner which would not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Considering that the purchase for Egyptian pounds of agricultural commodities produced in the United States of America will assist in achieving such an expansion of trade;

Considering that the Egyptian pounds accruing from such purchase will be utilized in a manner beneficial to both countries;

Desiring to set forth the understandings which will govern the sales, as specified below, of agricultural commodities to the United Arab Republic pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows:

ARTICLE I. SALES FOR EGYPTIAN POUNDS

1. Subject to issuance by the Government of the United States of America and acceptance by the Government of the United States Arab Republic of purchase authorizations and to the availability of commodities under the Act at the time of exportation, the Government of the United States of America undertakes to finance the sales for Egyptian pounds, to purchasers authorized by the Government of the United Arab Republic, of the following agricultural commodities in the amounts indicated:

Commodity:	<i>Export market value</i>	<i>Millions</i>
Wheat and/or wheat flour-----		\$275.8
Corn-----		24.0
Cottonseed and/or soybean oil-----		22.9
Inedible tallow-----		12.7
Nonfat dry milk-----		.3
Frozen poultry-----		1.5
Ocean Transportation (estimated)-----		52.8
Total-----		390.0

2. Applications for purchase authorizations for \$68.1 million of wheat, \$4.8 million of corn, \$7.1 million of cottonseed and/or soybean oil, \$3.4 million of tallow, \$0.1 million of nonfat dry milk and \$0.4 million for frozen poultry, and for certain ocean transportation, will be made within 90 days after the effective date of this Agreement.

3. The amounts for fiscal years 1964 and 1965 will be determined on the basis of annual reviews to be made by the two Governments prior to the beginning of each fiscal year. The reviews shall take into account the United States stock position of each commodity, changes in the United Arab Republic's production, consumption, stocks, storage facilities, imports from the United States and countries friendly to the United States, and other related matters.

4. Purchase authorizations will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of Egyptian pounds accruing from such sale, and other relevant matters.

5. The financing, sale and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale or delivery is unnecessary or undesirable.

ARTICLE II. USES OF EGYPTIAN POUNDS

The Egyptian pounds accruing to the Government of the United States of America as a consequence of sales made pursuant to this Agreement will be used by the Government of the United States of America, in such manner and order of priority as the Government of the United States of America shall determine, for the following purposes, in the amounts shown:

A. For United States expenditures under subsections (a), (b), (f), and (h) through (s) of section 104 of the Act, or under any of such subsections, ten percent of the Egyptian pounds accruing pursuant to this Agreement.

B. For loans to be made by the Agency for International Development of Washington (hereinafter referred to as AID) under section 104(e) of the Act and for administrative expenses of AID in the United Arab Republic incident thereto, five percent of the Egyptian pounds accruing pursuant to this Agreement. It is understood that—

(1) Such loans under section 104(e) of the Act will be made to United States business firms and branches, subsidiaries, or affiliates of such firms in the United Arab Republic for business development and trade expansion

in the United Arab Republic, and to United States firms and United Arab Republic firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of and markets for United States agricultural products.

(2) Loans will be mutually agreeable to AID and the Government of the United Arab Republic, acting through the National Bank of Egypt (hereinafter referred to as the Bank). The Governor of the Bank, or his designate, will act for the Government of the United Arab Republic, and the Administrator of AID, or his designate, will act for AID.

(3) Upon receipt of an application which AID is prepared to consider, AID will inform the Bank of the identity of the applicant, the nature of the proposed business, the amount of the proposed loan, and the general purposes for which the loan proceeds would be expended.

(4) When AID is prepared to act favorably upon an application, it will so notify the Bank and will indicate the interest rate and the repayment period which would be used under the proposed loan. The interest rate will be similar to that prevailing in the United Arab Republic on comparable loans, and the maturities will be consistent with the purposes of the financing.

(5) Within 60 days after the receipt of notice that AID is prepared to act favorably upon an application, the Bank will indicate to AID whether or not it has any objection to the proposed loan. Unless within the 60-day period AID has received such a communication from the Bank, it shall be understood that the Bank has no objection to the proposed loan. When AID approves or declines the proposed loan, it will notify the Bank.

(6) In the event the Egyptian pounds set aside for loans under section 104(e) of the Act are not advanced within 3 years from the date of this Agreement because AID has not approved loans or because proposed loans have not been mutually agreeable to AID and the Bank, the Government of the United States of America may use the Egyptian pounds for any purpose authorized by section 104 of the Act.

C. For a loan to the Government of the United Arab Republic under section 104(g) of the Act for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of the United Arab Republic, as may be mutually agreed, 85 percent of the Egyptian pounds accruing pursuant to this Agreement. The terms and conditions of the loan and other provisions will be set forth in a separate loan agreement. In the event that agreement is not reached on the use of the Egyptian pounds for loan purposes within 3 years from the date of this Agreement, the Government of the United States of America may use the pounds for any purposes authorized by section 104 of the Act.

ARTICLE III. DEPOSIT OF EGYPTIAN POUNDS

1. The amount of Egyptian pounds to be deposited to the account of the Government of the United States of America shall be the equivalent of the dollar sales value of the commodities and ocean transportation costs reimbursed or financed by the Government of the United States of America (except excess costs resulting from the requirements that United States-flag vessels be used) converted into Egyptian pounds, as follows:

(a) at the rate for dollar exchange applicable to commercial import transactions on the dates of dollar disbursements by the United States, provided that a unitary exchange rate applying to all foreign exchange transactions is maintained by the Government of the United Arab Republic, or

(b) if more than one legal rate for foreign exchange transactions exists, at a rate of exchange to be mutually agreed upon from time to time between the Government of the United States of America and the Government of the United Arab Republic.

2. In the event that a subsequent Agricultural Commodities Agreement or Agreements should be signed by the two Governments under the Act, any refunds of Egyptian pounds which may be due or become due under this Agreement more than 2 years from the effective date of this Agreement would be made by the Government of the United States of America from funds available from the most recent Agricultural Commodities Agreement in effect at the time of the refund.

ARTICLE IV. GENERAL UNDERTAKINGS

1. The Government of the United Arab Republic will take all possible measures to prevent the resale or transshipment to other countries or the use for other than domestic purposes (except where such resale, transshipment, or use is specifically approved by the Government of the United States of America) of the agricultural commodities purchased pursuant to the provisions of this Agreement, and to assure that the purchase of such commodities does not result in increased availability of these or like commodities to nations unfriendly to the United States of America.

2. The two Governments will take reasonable precautions to assure that sales or purchases of agricultural commodities pursuant to this Agreement will not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries.

3. In carrying out this Agreement, the two Governments will seek to assure conditions of commerce permitting private traders to function effectively and will use their best endeavors to develop and expand continuous market demand for agricultural commodities.

4. The Government of the United Arab Republic will furnish, upon request of the Government of the United States of America, information on the progress of the program, particularly with respect to the arrival and condition of commodities and provisions for the maintenance of usual marketings, and information relating to exports of the same or like commodities.

ARTICLE V. CONSULTATION

The two Governments will, upon request of either of them, consult regarding any matter relating to the application of this Agreement, or to the operation of arrangements carried out pursuant to this Agreement.

ARTICLE VI. ENTRY INTO FORCE

This Agreement shall enter into force upon signature.

In witness whereof, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

Done at Washington in duplicate this 8th day of October 1962.

For the Government of the United States of America :

PHILLIPS TALBOT,
Assistant Secretary of State.

For the Government of the United Arab Republic :

ABDEL MONEIM EL KALSSOUNI,
Minister of Treasury and Planning.

EMBASSY OF THE UNITED ARAB REPUBLIC,
Washington, D.C., October 8, 1962.

HON. DEAN RUSK,
Secretary of State.

MR. SECRETARY: I have the honor to acknowledge the receipt of your note of October 8, which reads as follows:

"I have the honor to refer to the Agricultural Commodities Agreement signed today by representatives of our two Governments, under which the United States of America undertakes to finance the delivery to the United Arab Republic of \$390 million worth of agricultural commodities, and to inform you of my Government's understanding of the following:

"(1) In expressing its agreement with the Government of the United States of America that the above-mentioned deliveries should not unduly disrupt world prices of agricultural commodities or impair trade relations among friendly nations, the United Arab Republic agrees that it will procure and import with its own resources the following agricultural commodities in addition to those to be purchased under the terms of the cited agreement:

"(a) From the United States and countries friendly to it at least 150,000, 250,000, and 300,000 metric tons of wheat and/or wheat flour in grain equivalent respectively during each of the U.S. fiscal years 1963, 1964, and 1965.

"(b) From the United States and countries friendly to it at least 25,000, 30,000, and 35,000 metric tons of feed grains respectively during each of the U.S. fiscal years 1963, 1964, and 1965.

"(c) From the United States and countries friendly to it at least 10,000, 12,500, and 15,000 metric tons of vegetable oil and/or oilseeds in oil equivalent respectively during each of the U.S. fiscal years 1963, 1964, and 1965.

"(d) From the United States and countries friendly to it at least 600 metric tons of dried milk during each of U.S. fiscal years 1963, 1964, and 1965.

"(e) From the United States at least 20,000, 22,500, and 25,000 metric tons of tallow respectively during each of the U.S. fiscal years 1963, 1964, and 1965.

"(2) It is understood that the wheat and wheat flour included under this agreement is provided by the Government of the United States of America on the basis of renewed assurances that the Government of the United Arab Republic will continue its announced intention not to increase the total area devoted to cotton production in the United Arab Republic. Further, the Government of the United Arab Republic assures the Government of the United States of America that imports of wheat and wheat flour under this agreement will not increase the availability of rice for export by the United Arab Republic. It is accordingly agreed that, based on an assumed milled rice production totaling 1.3 million metric tons in the current year, rice exports in the 12 months beginning November 1, 1962, will not exceed 400,000 metric tons. Exports of rice in excess of 400,000 metric tons would be effected during this period only to the extent that final agreed production figures for milled rice exceed 1.3 million metric tons. Levels for rice exports for the second and third years of the agreement will be considered during the annual review.

"(3) For purposes of section 104(a) and 104(h) of the act, the Government of the United Arab Republic will provide, upon request of the Government of the United States of America, facilities for the conversion into other non-dollar currencies of the following amounts of Egyptian pounds: For 104(a) 104(h) purposes and for the purposes of the Mutual Educational and Cultural Exchange Act of 1961, up to a total of \$7.5 million worth of Egyptian pounds, including up to \$1.5 million in fiscal year 1963, up to \$2 million in fiscal year 1964, up to \$2 million in fiscal year 1965, and up to \$2 million in fiscal year 1966. Currencies obtained through these provisions will be utilized in the case of section 104(a) to finance agricultural market development activities in other countries and in the case of 104(h) to finance educational exchange programs and activities in other countries.

"(4) The Government of the United States of America may utilize Egyptian pounds to pay for international travel originating in the United Arab Republic, or originating outside the United Arab Republic when involving travel to or through the United Arab Republic, including connecting travel, and air travel within the United States or other areas outside the United Arab Republic when it is a part of a trip in which the traveler journeys from, to, or through the United Arab Republic. It is understood that these funds are intended to cover only travel by persons engaged in activities financed under section 104 of the act. It is further understood that this travel is not limited to services provided by the United Arab Republic airlines."

I have the honor to inform you that the terms of the foregoing note are acceptable to the Government of the United Arab Republic and that the Government of the United Arab Republic considers your note and the present reply as constituting an agreement between our two Governments on this subject, the agreement to enter into force on today's date.

Please accept, Mr. Secretary, the renewed assurances of my highest consideration.

His Excellency Dr. MOSTAFA KAMEL,
Ambassador of the United Arab Republic.

CAIRO, June 15, 1963.

His Excellency JOHN S. BADEAU,
Ambassador of the United States of America, Cairo.

EXCELLENCY: I have the honor to acknowledge the receipt of your note of June 15, 1963, which reads as follows:

"I have the honor to refer to the Agricultural Commodities Agreement of October 8, 1962, between the Government of the United States of America and the Government of the United Arab Republic.

"The Government of the United States of America, in response to a request from the Government of the United Arab Republic, proposed to amend paragraph 1 of article I of the agreement by adding the commodities 'tobacco' in the value of '\$1.6 million' and 'dry edible beans' in the value of '\$0.2 million,' and by increasing the amount for ocean transportation to '\$52.9 million' and the total value of the agreement to '\$391.9 million.'

"Tobacco and beans are added to the agreement on the condition that the Government of the United Arab Republic will procure and import during U.S. fiscal year 1963 from the United States of America and countries friendly to the United States of America not less than 4,500 metric tons of dry edible beans and not less than 1,500 metric tons of tobacco, in addition to the 5,500 metric tons of tobacco (including not less than 1,500 metric tons from the United States of America) as provided in the September 1, 1962 amendment to the February 10, 1962, Agricultural Commodities Agreement.

"It is proposed that this note and your reply concurring therein shall constitute an agreement between our two Governments on this matter to enter into force on the date of your note in reply."

I have the honor to inform Your Excellency that the terms of the foregoing note are acceptable to the Government of the United Arab Republic and that the Government of the United Arab Republic considers Your Excellency's note and the present reply as constituting an agreement between our two Governments on this subject, the agreements to enter into force on today's date.

Accept, Excellency, the renewed assurance of my highest consideration.

ABDEL MONEIM EL KAISOUNI.

OCTOBER 1, 1963.

HON. DEAN RUSK,
Secretary of State,
United States of America.

MR. SECRETARY: I have the honor to acknowledge the receipt of your note of October 7, which reads as follows:

"I have the honor to refer to the Agricultural Commodities Agreement of October 8, 1962, as amended, between the Government of the United States of America and the Government of the United Arab Republic.

"The Government of the United States of America, in response to a request from the Government of the United Arab Republic proposes further to amend paragraph 1 of article I of the agreement by increasing the amount for 'tobacco' to '\$19.3 million' and by increasing the amount for ocean transportation to '\$53.5 million' and the total amount of the agreement to '\$410.2 million.'

"The amount for tobacco is added to the agreement on the condition that the Government of the United Arab Republic will procure and import during each of the U.S. fiscal years 1964 and 1965 not less than 7,000 metric tons of tobacco from the United States of America and countries friendly to it, and that of this amount not less than 1,500 metric tons will be purchased and imported from the United States of America.

"For purposes of section 104(h) of title I of the Agricultural Trade Development and Assistance Act, as amended, the Government of the United Arab Republic will provide, upon request of the Government of the United States of America, facilities for the conversion of a total of \$350,000 worth of Egyptian pounds into other nondollar currencies, including \$175,000 in fiscal 1964 and \$175,000 in fiscal 1965. These amounts are in addition to those provided for in paragraph 3 of the exchange of notes of October 8, 1962.

"It is proposed that this note and your reply concurring therein shall constitute an agreement between our two Governments on this matter to enter into force on the date of your note in reply.

"Accept, Excellency, the renewed assurances of my highest consideration."

I have the honor to inform you that the terms of the foregoing note are acceptable to the Government of the United Arab Republic and that the Government of the United Arab Republic considers your note and the present reply as constituting an agreement between our two Governments on this subject, the agreement to enter into force on today's date.

Please accept, Mr. Secretary, the renewed assurances of my highest consideration.

His Excellency Dr. ABDEL MONEIM EL KAISOUNI,
Minister of Treasury and Planning of the United Arab Republic.

CAIRO, April 20, 1964.

H. E. JOHN S. BADEAU,
*Ambassador of the United States of America,
 Cairo, United Arab Republic.*

EXCELLENCY: I have the honor to acknowledge the receipt of your note of April 20, 1964, which reads as follows:

"I have the honor to refer to the Agricultural Commodities Agreement between our two Governments of October 8, 1962 as amended and to propose in response to a request from the Government of the United Arab Republic, that the agreement be further amended as follows:

"In paragraph 1 of article I increase the amount for 'corn' to '\$29.5 million'; add the commodities 'butter, butter oil and/or ghee' in the value of '\$1.5 million' and 'cheese' in the value of '\$0.8 million'; and increase the amount for ocean transportation to '\$54.7 million' and the total value of the agreement to '\$419.2 million'.

"The Government of the United Arab Republic agrees that it will procure and import with its own resources from free world sources at least 90 metric tons of cheese during U.S. fiscal year 1964.

"The Government of the United Arab Republic will provide in fiscal year 1966 upon request of the Government of the United States of America, facilities for conversion into other nondollar currencies for purposes of section 104(h) of the act and for the purposes of the Mutual Educational and Cultural Exchange Act of 1961 of up to \$200,000 worth of Egyptian pounds to finance educational and cultural exchange programs and activities in other countries. This amount is in addition to those provided for in the exchanges of notes of October 8, 1962 and of October 7, 1963.

"With regard to paragraph 4 of article IV of the October 8, 1962, agreement, the Government of the United Arab Republic agrees to furnish at least quarterly the following information in connection with each shipment of commodities received under the agreement; the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; the condition in which received; the date unloading was completed; and the disposition of the cargo, i.e., stored, distributed locally, or, if shipped, where shipped. In addition, the Government of the United Arab Republic agrees to furnish at least quarterly: (a) a statement of measures it has taken to prevent the resale or transshipment of commodities furnished to assure that the program has not resulted in increased availability of the same or like commodities to other nations and (b) a statement showing progress made toward fulfilling commitments on usual marketings.

"The Government of the United Arab Republic further agrees that the above statements will be accompanied by statistical data on imports and exports by country of origin or destination of commodities which are the same as or like those imported under the agreement.

"It is proposed that this note and your reply concurring therein shall constitute an agreement between our two Governments on this matter to enter into force on the date of your note in reply."

I have the honor to inform Your Excellency that the terms of the foregoing note are acceptable to the Government of the United Arab Republic and that the Government of the United Arab Republic considers Your Excellency's note and the present reply as constituting an agreement between our two Governments on this subject, the agreements to enter into force on today's date.

Accept, Excellency, the renewed assurance of my highest consideration.

(S) K. R. Stino.

Dr. K. R. STINO,

Deputy Prime Minister, for Supply and Internal Trade.

MINISTRY OF SUPPLY,

MINISTER'S OFFICE,

Cairo, June 30, 1964.

Hon. WILLIAM O. BOSWELL,

American Chargé d'Affaires ad interim.

SIR: I have the honor to acknowledge the receipt of your note of June 30, 1964, which reads as follows:

"I have the honor to refer to the Agricultural Commodities Agreement between our two Governments of October 8, 1962, as amended, and to propose

in response to a request from the Government of the United Arab Republic that the agreement be further amended as follows:

"In paragraph 1 of article I increase the value of 'frozen poultry' to '\$2.3 million'; increase the amount for ocean transportation to '\$54.8 million'; and increase the total value of the agreement to '\$420.1 million.'

"In the notes exchanged on October 8, 1962, substitute '\$8,402,000 or 2 percent, whichever is greater' for '2 percent' in numbered paragraph 3.

"It is proposed that this note and your reply concurring therein shall constitute agreement between our Governments on this matter to enter into force on the date of your note in reply."

I have the honor to inform you, Sir, that the terms of the foregoing note are acceptable to the Government of the United Arab Republic and that the Government of the United Arab Republic considers your note and the present reply as constituting an agreement between our two Governments on this subject, the agreement to enter into force on today's date.

Accept, Sir, the renewed assurances of my highest consideration.

(S) K. R. Stino,
Dr. K. R. STINO,
Deputy Prime Minister.

CAIRO, July 20, 1964.

HON. WILLIAM O. BOSWELL,
American Chargé d'Affaires ad interim.

SIR: I have the honor to acknowledge the receipt of your note of July 20, 1964, which reads as follows:

"I have the honor to refer to the Agricultural Commodities Agreement between our two Governments of October 8, 1962, as amended, and to propose in response to a request from the Government of the United Arab Republic that the agreement be further amended as follows:

"In paragraph 1 of article I add commodity 'frozen and/or canned beef' value '\$9.5 million'; increase the amount for ocean transportation to '\$57 million'; and increase the total value of the agreement to '\$431.8 million'.

"In the notes exchanged on October 8, 1962, as amended, substitute '\$8,636,000' for '\$8,402,000' in numbered paragraph 3.

"The Government of the United Arab Republic will provide, upon the request of the Government of the United States of America, facilities for conversion into other nondollar currencies for purposes of section 104(h) of the act and for purposes of Mutual Educational and Cultural Exchange Act of 1961, up to \$230,000 worth of Egyptian pounds to finance educational and cultural exchange programs and activities in other countries. This amount is in addition to those provided for in the exchange of notes on October 8, 1962, October 7, 1963, and April 20, 1964.

"The Government of the United Arab Republic agrees that it will procure and import with its own resources from free world sources during calendar year 1964 at least 2,000 metric tons (product weight) of frozen and/or canned beef and/or veal and a quantity of live beef cattle and/or buffalo equivalent to at least 10,000 metric tons of dressed beef.

"The Government of the United Arab Republic agrees that beef imported under this agreement will be used only for consumption within the country.

"It is proposed that this note and your reply concurring therein shall constitute an agreement between our two Governments on this matter to enter into force on the date of your note in reply."

I have the honor to inform you, Sir, that the terms of the foregoing note are acceptable to the Government of the United Arab Republic and that the Government of the United Arab Republic considers your note and the present reply as constituting an agreement between our two Governments on the subject, the agreement to enter into force on today's date.

Accept, Sir, the renewed assurances of my highest consideration.

(S) K. R. Stino,
Dr. K. R. STINO,
Deputy Prime Minister for Supply and Internal Trade.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., January 29, 1965.

HON. SPESSARD L. HOLLAND,
Chairman, Subcommittee on Department of Agriculture and Related Agencies,
Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLAND: In accordance with a request of the staff of the committee, here is a brief summary of the current status of the agreement between the United States and the United Arab Republic under title 1 of Public Law 480. A copy of the existing agreement is also attached.

Sincerely yours,

DOROTHY H. JACOBSON,
Assistant Secretary.

CURRENT STATUS OF UNITED ARAB REPUBLIC AGREEMENT, TITLE I, PUBLIC LAW 480

The current multiyear title I, Public Law 480 agreement with the United Arab Republic was signed on October 8, 1962. The agreement, as originally consummated, provided for the shipment of \$390 million worth of agricultural commodities over a 3-year period, covering fiscal years 1963, 1964, and 1965. There have been five amendments to the agreement to provide additional commodities, raising the total export market value of the agreement to \$431.8 million.

The original agreement is as follows:

Commodity	Approximate quantity			Export market value (millions)	Estimated CCC cost
	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965		
	1,000 metric tons				
Wheat and/or flour in grain equivalent.....	1,100.0	1,600.0	1,750.0	\$275.8	\$425.4
Corn.....	100.0	200.0	200.0	24.0	24.0
Vegetable oil.....	30.0	32.5	35.0	22.9	22.9
Tallow.....	30.0	37.5	45.0	12.7	12.7
NFD milk.....	.6	.6	.6	.3	.6
Frozen poultry.....	.6	.7	.8	1.5	1.5
Ocean transportation (estimate).....				52.8	52.8
Subtotal.....				390.0	539.9
	Metric tons				
1st amendment:					
Tobacco.....		1,000		1.6	1.6
Dry edible beans.....		1,000		.2	.2
Ocean transportation (estimate).....				.1	.1
Subtotal.....				1.9	1.9
2d amendment:					
Tobacco.....		11,000		17.7	17.7
Ocean transportation (estimate).....				.6	.6
Subtotal.....				18.3	18.3
3d amendment:					
Corn.....		100,000		5.5	5.5
Butter-butter oil-ghee.....		2,000		1.5	3.3
Cheese.....		1,000		.8	1.1
Ocean transportation (estimate).....				1.2	1.2
Subtotal.....				9.0	11.1
4th amendment:					
Frozen poultry.....		1,200		.8	.8
Ocean transportation (estimate).....				.1	.1
Subtotal.....				.9	.9
5th amendment:					
Beef.....		12,000		9.5	9.5
Ocean transportation (estimate).....				2.2	2.2
Subtotal.....				11.7	11.7
Total.....				431.8	583.8

Wheat-wheat flour is by far the largest commodity component, accounting for over 60 percent of the total export market value of the agreement.

The currency proceeds accruing under this agreement are for use as follows: U.S. uses, 10 percent; 104(e) loans, 5 percent; and 104(g) loans, 85 percent.

Funds remaining available for new PA's (Jan. 28, 1965)

Commodity:	Millions
Wheat.....	\$22.432
Corn.....	
Vegetable oils.....	5.59
Tallow.....	
NFD milk.....	0.1
Poultry.....	
Tobacco.....	8.85
Dry beans.....	
Butter-butter oil-ghee.....	
Cheese.....	
Beef.....	
Total.....	36.972

Unshipped quantities from previously issued purchase authorizations

In addition to the \$37 million on which purchase authorizations have not been issued, commodities with a value of approximately \$30 million, including U.S. costs for ocean shipping, covered by previously issued purchase authorizations are still unshipped. Over half of this amount represents commodities covered by firm sales contracts between U.S. exporters and procurement agencies of the United Arab Republic.

Nature of U.S. commitment under title I, Public Law 480 agreement

Under the terms of the agreement with the Government of the United Arab Republic, the Government of the United States "undertakes" to finance the sales for Egyptian pounds of the commodities in the amounts indicated in the agreement. This undertaking is subject, however, to (1) the availability of the commodities under the act at the time of exportation, and (2) the issuance by the Government of the United States of America of purchase authorizations. The agreement provides that: "The financing, sale and delivery of commodities under this agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable." Further, all purchase authorizations which have been issued are by their terms expressly made subject to the provision of the regulations under which they are issued. These regulations reserve the right "at any time" and "for any reason or cause whatsoever" to revoke any purchase authorization and terminate deliveries thereunder. The regulations do, however, require Commodity Credit Corporation to reimburse U.S. exporters and suppliers for any costs incurred in connection with firm sales contracts as a result of the action canceling the purchase authorization.

Expiration date

The agreement covers the 3 fiscal years 1963, 1964, and 1965. Therefore, the period during which purchase authorizations may be issued expires at the end of fiscal year 1965.

COMMODITIES DELIVERED OR PURCHASES AUTHORIZED TO EGYPT

Senator HOLLAND. Now as supplemented that agreement does cover the full amount of \$431.8 million of U.S. surplus commodities which our Government committed itself to sell.

Secretary BALL. That is right, sir.

Senator HOLLAND. Your next sentence is one which I think requires a further statement. You state and I quote, "Of this amount," that is \$431.8 million—"all but \$37 million have either been actually delivered or are subject to purchase authorizations issued to the UAR."

Secretary BALL. That is right.

Senator HOLLAND. Meaning issued to Egypt?

Secretary BALL. Issued to the Government of the United Arab Republic, Egypt, that is right.

Senator HOLLAND. What is the nature of the purchase authorizations which you have issued to the Government of Egypt?

Secretary BALL. The purchase authorizations have been issued to the Government of Egypt in the amount of roughly \$30 million which are presently outstanding. Now after the purchase authorizations are issued, as I understand the procedure, then the Egyptian Government deals with the American grain trade for the amounts that are covered by the purchase authorizations and then the financing is worked out in the United States on the presentation of the necessary documents under those purchase authorizations.

Senator HOLLAND. Does your Department regard itself as bound or committed, when the purchase authorizations are issued to a contracting government as in the present case with the Government of Egypt?

COMMITMENT OF THE UNITED STATES

Secretary BALL. Well, I think it is one more stage in the commitment process, that is to say, a commitment which couldn't possibly be avoided as a matter of law is one thing.

A commitment between governments which has the effect of a kind of moral commitment is another matter.

Senator HOLLAND. What kind of commitment do you regard this, when you say purchase authorizations for some \$30 million of the balance of \$37 million have actually been issued?

Secretary BALL. I would say that is very far down the road toward the completion of the entire transaction so that we would regard it as extraordinary if there was any pulling back at that point from the commitment which has been made by the issue of the purchase authorizations.

Senator HOLLAND. We understand that at that stage delivery of the commodities has not been made.

Secretary BALL. That is right.

Senator HOLLAND. What I am trying to get at is, do you regard yourself as committed to go ahead and deliver those commodities when you have delivered purchase authorizations?

Secretary BALL. This is almost the invariable practice—that one erects a kind of commitment.

Now if I appear to be evasive or cautious I do not intend to evade at all the line of questioning. We have here a rather extraordinary arrangement in that, while there is a commitment which is a perfectly flat and straightforward one, there is also a provision that either government can discontinue or terminate the arrangement if it feels conditions have changed.

I want to be very frank with the committee on this. This is paragraph 5 of article (1) of the agreement. On the other hand, to the world the appearance of this agreement is a commitment made. It carries a good deal of prestige of the United States behind it. This requires an affirmative act on the part of the United States to bring about this termination. What we are suggesting to the committee is that we complete the present agreement and not exercise, or take this affirmative act.

CONTRACTS BETWEEN AMERICAN EXPORTERS AND EGYPTIAN PROCUREMENT AGENCIES

Chairman HAYDEN. May I inquire, has any commitment been made to purchase these commodities from an American firm or business?

Secretary BALL. Of the \$30 million—let me ask my colleagues from the Department of Agriculture.

Mr. ESKILDSEN. My name is P. R. Eskildsen, Association Administrator of the Foreign Agricultural Service. To answer the question, approximately half of the \$30 million worth of purchase authorizations you have been referring to have been translated into sales contracts between American exporters and procurement agencies in Egypt, but not yet shipped.

Senator HOLLAND. In other words, if I understand your statement, Mr. Eskildsen, and you are the appropriate official of the Department of Agriculture to make this statement, are you?

Mr. ESKILDSEN. Yes, sir.

Senator HOLLAND. Following the receipt of purchase commitments in the amount of some \$30 million under this contract with Egypt, \$30 million out of the total remaining of \$37 million, the matter has gone further and actual contracts have been entered into and approved by exporters of the United States to Egypt or to importers of Egypt in an amount of substantially half of the \$30 million, is that correct?

Mr. ESKILDSEN. Yes, sir. I should clarify one point. Of the total amount of the agreement which the Secretary referred to of \$431 million, there remains to be placed on purchase authorizations approximately \$37 million as he indicated. In addition to that there have been purchase authorizations in the amount of approximately \$30 million already issued of which approximately half have been translated into sales contracts.

Senator HOLLAND. Then this half of the \$30 million covered by actual sales contracts is not part of the \$37 million, is that what you are saying?

Mr. ESKILDSEN. No, sir; it is not part of the \$37 million.

Secretary BALL. If I may clarify this, Mr. Chairman, we are talking about \$67 million; \$37 million is not yet covered by outstanding purchase authorizations.

Senator HOLLAND. You mean purchase authorizations by private—

PURCHASE AUTHORIZATIONS ISSUED BY UNITED STATES

Secretary BALL. No, purchase authorizations issued by the U.S. Government to the Government of Egypt. The procedure is this; that within the framework of the 1962 agreement, which provides for a global figure, within that framework at the appropriate times each year, the Government of Egypt makes requests that the United States issue procurement authorizations for specific amounts to be purchased.

SUBALLOTMENTS BY UNITED ARAB REPUBLIC

What Mr. Eskildsen was saying is that there are \$30 million on which there are outstanding procurement authorizations. Of that \$30 million there have not only been suballocations issued with respect to about \$15 million, but there actually have been deals made by the

grain trade of the two countries with respect to that \$15 million, but the grain has not been delivered.

AUTHORIZATION AND DELIVERY

Now in addition there is the \$37 million on which there are not yet procurement authorizations outstanding, but it is covered by the global figure in the 1962 agreement. So that the total undertaking which we have with Egypt for the sale of surplus agricultural commodities includes \$37 million not covered by procurement authorizations plus \$30 million covered by procurement authorizations. That is the balance which has not yet been delivered.

Senator HOLLAND. What do you mean, then, when you say in the second sentence of the second paragraph of section 6 of your statement that all but \$37 million have either been actually delivered or are subject to purchase authorizations issued to the United Arab Republic?

Secretary BALL. That is true. All but \$37 million have been actually delivered or there are outstanding purchase authorizations issued by the U.S. Government to the United Arab Republic with respect to them.

Senator HOLLAND. You don't mean, then, that purchase authorizations to the United Arab Republic on the \$37 million have actually been issued?

Secretary BALL. Not yet, no.

Senator HOLLAND. Senator Pastore.

EFFECT OF HOUSE AMENDMENT

Senator PASTORE. But is it fair to say that the amendment passed by the House affects only the \$37 million that we are talking about?

Secretary BALL. So our lawyers advise us, Senator Pastore.

Senator SALTONSTALL. May I ask a question, Mr. Chairman?

Senator HOLLAND. Senator Saltonstall.

Senator SALTONSTALL. Mr. Ball, I listened to Secretary Rusk the other day and I have listened to you now. It boils down to this, does it not? In the State Department's judgment it is wiser to deliver \$37 million worth of wheat to Egypt than to cancel it now because it puts our Government in a better position to deal with the problems that we have with Egypt with relation to the Congo, and other subjects in the Middle East.

Secretary BALL. I would qualify that only in one respect, Senator Saltonstall. What we are suggesting is that it is wiser to let the President have the power to deliver what we have already committed.

Senator SALTONSTALL. That is what I tried to say.

Secretary BALL. In other words, I am not asking this committee this morning to say to us you go ahead and deliver what is left under the contract. What I am asking the committee to say is that you go ahead and deliver if the President feels that this is the thing to do, taking into account the circumstances and the events.

Senator SALTONSTALL. It leaves the President with discretion?

Secretary BALL. That is right.

Senator SALTONSTALL. As to how to proceed. Whereas, if this House amendment goes through, no discretion is left in the President's hands.

Secretary BALL. That is right.

Senator SALTONSTALL. And we can't horse trade, if you want to call it, with Nasser as to what other problems we may have with him.

Secretary BALL. That is right. And we are talking only about the completion of the contract. We are not suggesting anything more to the committee at this point.

Senator HOLLAND. May I correct just one thing? I think, Senator Saltonstall, when you said \$37 million of wheat you meant wheat and other commodities.

Senator SALTONSTALL. That is right.

MODIFICATION OF HOUSE AMENDMENT

Senator PASTORE. Would the State Department accept a modification of that amendment along the line that the Senator says, leaving it up to the President to exercise his judgment?

Secretary BALL. We would be quite happy to have it amended in that form. Our interest, Senator Pastore, is simply to reserve to the President the power to deal with what we regard as a matter of very critical importance.

Senator PASTORE. Rather than a straight elimination of the amendment, you would be glad to accept a modification?

Secretary BALL. We would be glad to accept one and I am sure we can work one out with the committee staff.

Senator HOLLAND. The contract, itself, permits even at this stage a withdrawal of our country from the commitment of the 3-year contract as to \$37 million worth of commodities only.

Secretary BALL. That is right.

Senator HOLLAND. But the question of the wisdom, of the timeliness of the actuality of that withdrawal, you think, should be left to the President in his conduct of foreign relations.

Secretary BALL. This is what I am suggesting to the committee, Mr. Chairman; yes, sir.

Senator HOLLAND. Are there other questions?

Senator YOUNG. Yes, I would like to ask two or three questions.

Senator HOLLAND. Senator Young.

PUBLIC LAW COMMODITIES AND AID LOANS TO EGYPT

Senator YOUNG. I understand that, during 1964, we sold or gave Egypt \$143.1 million in agricultural commodities under Public Law 480; is that correct?

Secretary BALL. I believe that is correct.

Senator YOUNG. We gave them, in AID loans, another \$1.4 million in AID or a total of \$144½ million; am I correct?

Secretary BALL. Yes; that is substantially correct, except that the \$1.4 million was grant technical assistance.

Senator YOUNG. Since the beginning of the Public Law 480 program, we have sold Egypt \$705,800,000 worth of farm commodities; is that correct?

Secretary BALL. I believe it is larger than that.

Senator YOUNG. The figure I have is \$705,800,000.

Secretary BALL. Through 1964, the total value of Public Law 480 sales was about \$825 million.

Senator YOUNG. Were there any sales for dollars?

SALES FOR DOLLARS TO EGYPT

Mr. ESKILDSEN. There have been no sales for dollars to Egypt that are made part of this agreement, Senator.

Secretary BALL. But there is the ordinary provision with regard to the Senator's question; that is, that this agreement must be applied in such a way as not to interfere with normal commercial procurement by Egypt.

Mr. ESKILDSEN. I might clarify what I said in one respect, Senator. We do have in our current agreement with Egypt a provision with respect to the sale of one commodity I know of, which is poultry, a requirement that they do purchase for dollars a certain amount of this commodity related to the agreement itself. I believe those purchases have not yet been made, although I am not positive of that.

Senator YOUNG. What has been the disposition of this \$705 million in currency? How much do we hold to our credit? What has been done with these funds?

Mr. ESKILDSEN. I did not hear the last part of your question.

Senator YOUNG. What has been the disposition of the \$705 million?

Mr. ESKILDSEN. A provision in the agreement calls for addition of the use of those proceeds. We have spelled out in percentages. In the last agreement, 10 percent for U.S. uses, 5 percent for so-called Cooley loans; that is, loans to private industry, and the remainder of 85 percent for loans for economic development in Egypt.

Secretary BALL. I can give you some figures on this if you would like.

Senator YOUNG. I would like to have the amount of money we loaned to them.

(The information referred to follows:)

OCTOBER 8, 1962, PUBLIC LAW 480 SALES AGREEMENT—LESS \$37 MILLION
UNSHIPPED

U.S. dollar allocation per sales agreement.....	\$394, 800, 000
U.S. uses (10 percent of deposits).....	39, 480, 000
Cooley loans (5 percent of deposits).....	19, 740, 000
104(g) loans (15 percent of deposits).....	335, 580, 000

TOTAL COMMUNIST AID TO THE UNITED ARAB REPUBLIC SINCE 1955

In excess of \$1 billion, of which amount \$885 million is from Soviet Russia :
Total free world (non-U.S.) aid the United Arab Republic since 1955, \$1,185 million.

Total U.S. dollar aid (loans and grants), \$203 million.

Total Public Law 480 assistance—title I, \$824,740,000.

Secretary BALL. This is up to the end of last year from 1955. The amount for U.S. uses: There has been deposited in the local currency account roughly \$114 million. There has been used out of that \$45 million. The so-called Cooley loans, which are the loans for U.S. businesses: The amount accrued on that is \$58 million. There has been a million dollars used. The grants under section 104(E): There has been accrued \$36 million and we have used \$3 million. The loans under 104(g), which are the loans for development purposes: There has been accrued \$463 million and used \$434 million.

COMMODITIES AND OTHER ASSETS FURNISHED PURSUANT TO 3-YEAR AGREEMENT

Senator HOLLAND. May I ask a question, Senator Young? Would it be appropriate, do you think, for us to ask the Secretary and the Department of Agriculture to include for the record a full listing by commodities of everything which has been done under this outstanding 3-year agreement?

Senator YOUNG. I think it should be done.

Secretary BALL. We will be very happy to, Mr. Chairman.

(The material referred to follows:)

STATUS OF TITLE I, PUBLIC LAW 480 PROGRAMING WITH THE UNITED ARAB REPUBLIC UNDER THE MULTIYEAR AGREEMENT SIGNED ON OCT. 8, 1962, COVERING FISCAL YEARS 1963, 1964, AND 1965

[In millions]

Commodity	Purchase authorizations issued	Remaining available funds
Wheat/wheat flour-----	\$253.368	\$22.4
Corn-----	32.487	-----
Vegetable oils-----	14.323	5.6
Tallow-----	12.700	-----
NFD milk-----	.158	.1
Poultry-----	2.3	-----
Tobacco-----	10.450	8.9
Dry beans-----	.200	-----
Butter/butter oil/ghee-----	1.491	-----
Cheese-----	.809	-----
Beef-----	9.500	-----
Total-----	337.786	37.0

NOTE.—In addition to the above dollar values for commodities the agreement provides an estimated amount of approximately \$57 million for U.S. financing of ocean transportation required for shipment of commodities in U.S.-flag vessels in accordance with the provisions of the Cargo Preference Act.

REACTION TO NASSER STATEMENT

Senator YOUNG. What action did the U.S. Government take when Mr. Nasser told us in effect to go jump in the lake or go to hell or something like that?

Secretary BALL. This I could amplify off the record, but I may say that the sequence of events was something like this: That following the rescue operation which we undertook for humanitarian purposes in the Congo, there was a riot which took place in Cairo which resulted in the burning of the U.S. Information Service library. The protests, of course, were made on this. The Government of the United Arab Republic offered a villa on a temporary basis until the building could be restored. Mr. Nasser offered a gift of his own of a thousand books for the library and there is an undertaking to negotiate the damage so that there could be compensation paid. At this time, our Ambassador in Cairo, Mr. Battle, in conversation with an official of the United Arab Republic, indicated that the situation was not such that we could undertake any discussion of aid matters which the Government of Egypt had suggested. It was immediately following that that Mr. Nasser made the speech to which you referred. Matters, obviously, of this kind have been in suspension since that time. Just how the state of our relations will evolve is something, as I say, that I

cannot predict exactly. The only point that is before this committee so far as my Department is concerned is how much flexibility the President should have in dealing with this problem.

Senator HOLLAND. Will you yield for a question right there?

SUSPENSION OF AID DISCUSSIONS

Did I understand you to say that following this outrageous burning of the library and the coming up of the discussions concerning it that the officials of Egypt were informed by our officials that under that situation there could be no discussion at this time of any further aid to Egypt?

Secretary BALL. That is right. The Ambassador said the climate was not such that this could be usefully discussed.

Senator HOLLAND. That is the situation now existing?

Secretary BALL. This is the situation now.

Senator YOUNG. Did Mr. Nasser indicate a different attitude after he made a very harsh statement? That was a harsh one after all the assistance we have given him.

Secretary BALL. If I may, Mr. Chairman, I would like to have an opportunity to amplify this to the committee, but I really feel that this is the kind of testimony which probably should be heard in executive session.

Senator HOLLAND. You mean as to any further discussion?

Secretary BALL. Yes, any further discussion of this particular situation.

Senator HOLLAND. I think that is appropriate. I hope, Senator Young, you will renew the subject in executive session.

CURRENT UAR ATTITUDE

Senator YOUNG. How I vote on this will be determined in a large measure by what Mr. Nasser's present attitude is.

Senator HOLLAND. I know we are deeply concerned with that. I have gone into that in some detail. I am sorry I could not attend the session at which Secretary Rusk was questioned by the Committee on Foreign Relations and other Senators who attended. This so-called executive flu is no respecter of departments. It hit me also, although I am not a member of the executive department. I was tied up on that particular day.

Secretary BALL. It operates at both ends of Pennsylvania Avenue, Mr. Chairman.

Senator PROXMIRE. As I understand it, Mr. Ball, we agreed originally to deliver \$390 million. We already delivered or have subject to purchase authorizations of \$394 million.

Secretary BALL. That is right.

Senator PROXMIRE. There was an additional \$41 million, apparently, that was amended into the agreement.

Secretary BALL. At different stages from 1962 on.

Senator PROXMIRE. So, we have more than met the original commitment.

Secretary BALL. Yes.

LIMITATION ON PRESIDENT BY AMENDMENT

Senator PROXMIRE. Those who sponsored this amendment in the House have said that they feel the President can meet this commitment even if the House language stays in the bill. I have seen no repudiation of that position or rebuttal of it. It is my understanding that they contend that whether the House amendment stays in or not there are other ways in which the President can see that this commitment is delivered.

Secretary BALL. Let me say with respect to that, Senator Proxmire, that if the House amendment remains in its present form certainly the President would take this as a very strong expression on the part of Congress that this agreement should not be completed and we are not proposing to try to find ways and means to go around the will of the Congress.

Now, as we understand it, what is really affected by this amendment would be the ability of the President to fulfill the remaining balance under this agreement during this fiscal year. But I think that this committee can assume that, if the amendment passes in its present form, this would certainly be regarded by the executive department as a very clear indication that Congress did not want us to go forward.

Senator PROXMIRE. Thank you, Mr. Chairman.

Senator HOLLAND. Senator Mundt.

THE TERMS "COMMITTED" AND "SELL" DEFINED

Senator MUNDT. Mr. Secretary, I am concerned primarily about these words "committed" and "sell." I am not one who believes in reneging on agreements which the United States has made, whether wisely made or not. However, it seems to me that the State Department has been mighty careless about the contents of some of these contracts under the term "sell" U.S. surplus commodities.

Let me ask you first, then, when you say "committed," that denotes that we have some kind of quid pro quo and we agreed to sell \$431,800,000 of U.S. surplus commodities. What did we get in return in that commitment?

Secretary BALL. So far as the specific terms of the agreement are concerned, of course, what we received was local currency. So far as the objectives of the Public Law 480 program, itself, are concerned, the compensation may be somewhat less tangible. But when I used the word "committed" I also made quite clear to the committee that this was the kind of commitment that could be terminated by an affirmative act under the explicit language of the agreement. I don't want to be in a position at all of trying to suggest to the committee that this is a commitment that goes any further than it, in effect, does.

Senator MUNDT. But there will be no element of bad faith if we follow the House action.

Secretary BALL. I don't think "bad faith" is the term I would use here. I think that there is a difference in the way in which an action of ours could be used for propaganda effect or the way in which it could be construed or misconstrued by the world.

This is what we are really talking about. I think that the extent to which other nations which now have outstanding arrangements with

us would be affected by a decision on our part to exercise the right to take affirmative action to terminate an outstanding agreement is really what is in issue.

Senator MUNDT. Do you think that impact on other nations would be good or bad from our standpoint?

RESERVATION OF PRESIDENTIAL POWER

Secretary BALL. I think it would cause some difficulties if we were to terminate this outstanding agreement. But, again, Senator Mundt, I am not suggesting that we are not going to, no matter what action this body may take. All I am saying is that I think this is a matter where so far as the completion of the outstanding agreement is concerned, the President should have the power to complete it, if the circumstances at the time are such that he feels that this advances the interest of the United States.

CONCORDANCE BY PRESIDENT AND CONGRESS

Senator MUNDT. I want to straighten out that thing, first, because there has been some misunderstanding, and some editorial comment, that Congress would be committing an act of bad faith. Now, we agree that is not true. Also, there are some persuasive reasons back of the logic you present providing Congress can become a sort of partner in this bargaining process and that you don't ask us to, in effect, vote approval of Nasser policies or to give him a clean bill of health or to give him a vote of confidence.

Now, when we use the word "sell" what we are saying there is that we are selling these commodities to Nasser under a currency arrangement whereby 85 percent of what we get for our products go to his benefit more than to ours, that is correct, isn't it?

Secretary BALL. Yes. Sale is the language of the congressional legislation.

Senator MUNDT. Just so we all understand the facts. So that what we get is really 15 percent of the total which you can say is the coolie part of the 10 percent we can use willy-nilly, this is what we get. Five percent of the purchase price goes around the circle and goes back in his coffers.

Secretary BALL. It is re-lent to him.

LOSS INCIDENT TO BURNING OF USIA LIBRARY

Senator MUNDT. Now, how much damage in terms of dollars do you estimate occurred because of the burning and sacking of our USIA library?

Secretary BALL. I don't know whether the figures have been determined; I hesitate to put them on the record until I am sure because it will become the subject of negotiations.

Senator MUNDT. Can you give us a top guess?

Secretary BALL. Let me say that in the neighborhood of a half million dollars without being more precise than that. Now, hopefully this is a matter for which compensation would be negotiated.

SUGGESTED MODIFICATION OF AMENDMENT

Senator MUNDT. What would you think of a congressional mandate which would not take the House approach, but would say that if the remainder of \$37 million is to be made available under the terms of this commitment it will be done only after renegotiations of some kind have been made so that the United States is reimbursed in full from this 85 percent that belongs to Nasser for the restoration of our library, so that at least we could officially frown in a legitimate manner on what they have done and still give us a bargaining power on the rest of it.

Secretary BALL. I would like to consider this, Senator Mundt. It raises some questions. Let me say that I feel quite satisfied that we can develop with the committee some language.

Senator MUNDT. You have no language to suggest now?

Secretary BALL. We don't, ourselves, have language to suggest. I believe various members of the committee have indicated one time or another while we have been talking with them that they might have some proposals to make.

Senator MUNDT. I have indicated one out loud. You don't wish to comment?

Secretary BALL. I would like to discuss this in executive session. We are quite flexible in our approach to this problem. What we want to do is to save the President's ability to deal with a critical situation.

Senator MUNDT. That is all, Mr. Chairman.

Senator SALTONSTALL. Mr. Chairman?

Senator HOLLAND. Senator Saltonstall.

AID TO EGYPT FROM OTHER COUNTRIES

Senator SALTONSTALL. May I ask Mr. Ball these two general questions as one. How much aid has Egypt received from other countries and from international organizations over a period of 10 years? That might help us in the record.

Secretary BALL. We will be glad to put that in. There is very substantial aid from the Soviet Union, of course. (This information appears earlier in the hearing.)

Senator SALTONSTALL. If so, what types of aid are we committed to give Egypt in the fiscal year 1966 as well as the fiscal year 1965? Are we committed to give any beyond what you have stated?

Secretary BALL. My understanding is that there is no commitment for the fiscal year 1966.

Senator SALTONSTALL. So that the only firm commitment we have is to complete this 3-year agreement?

Secretary BALL. That is right.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Senator ELLENDER. Mr. Chairman?

Senator HOLLAND. Senator Ellender.

FUTURE PROMISES TO UNITED ARAB REPUBLIC

Senator ELLENDER. Mr. Ball, when you say "affirmative commitment," was that negotiated after the original agreement was entered into?

Secretary BALL. No; what I am referring to is the agreement of 1962 after it has been supplemented by amendments which have increased the total amount agreed on at that time.

Senator ELLENDER. Now, are we presently promising to make any further agreements with Nasser should the current agreement be carried through?

Secretary BALL. No; in fact, what we have indicated to the Government of the United Arab Republic is that the time is not such as to be propitious for any discussion of aid problems at all.

Senator ELLENDER. To your knowledge, has any discussion been had with respect to further agreements?

Secretary BALL. No; we refuse to discuss any further agreement.

Senator ELLENDER. And it is not your intention to do so?

Secretary BALL. Let me say with respect to this that whether there would be any further agreements with regard to Public Law 480, assistance is a matter which would have to be fully reviewed with this committee and with the Congress when we come up for appropriations for the following fiscal year. Certainly, there will be nothing more in this fiscal year, and that question is one which will be fully reviewed with you in the light of the circumstances at that time. So there is nothing intended now.

CONGRESSIONAL LIMITATION ON FUTURE DEALINGS WITH UAR

Senator ELLENDER. In all probability, you will be guided by whatever authorization is made in the future foreign-aid bill.

Secretary BALL. We would review this matter fully with the Congress.

Senator HOLLAND. This is under Public Law 480.

Senator ELLENDER. I understand that. But if we see fit, we may put something in the foreign aid bill to prevent any further dealing with Nasser. That is what I am speaking about. Of course, the Secretary would be guided by what we put in that bill.

Secretary BALL. We would certainly take into account what the position of Congress would be on that. If there is a prohibition we would abide by it. As I say, this is a matter we would discuss in the light of the circumstances then existing. This is a highly moving situation and I am reluctant to say what the situation may be 6 months from now.

SOLE U.S. OBLIGATION TO UNITED ARAB REPUBLIC

Senator ELLENDER. You are now telling the committee, then, that our only obligation to Nasser is contained in the particular agreement under discussion and that no promises have been made to renew or extend more aid to Nasser after the termination of this agreement.

Secretary BALL. That is right, sir.

Senator ELLENDER. Thank you.

Senator HOLLAND. Are there further questions?

Senator BARTLETT. Mr. Chairman?

Senator HOLLAND. Senator Bartlett.

AGREEMENTS WITH UNITED ARAB REPUBLIC PRIOR TO BURNING OF LIBRARY

Senator BARTLETT. Did you indicate conversations might have been underway looking toward a new agreement if the library had not been burned?

Secretary BALL. What I said was that when the Egyptian Government approached us for a discussion of additional aid they were told by our Ambassador that the situation was not such, the climate was not such that any such discussion could be appropriately undertaken.

Senator BARTLETT. Was this after the library had been burned?

Secretary BALL. It was after the library had been burned.

Senator BARTLETT. Had it been our intention before that to discuss the subject with Egypt?

Secretary BALL. I think in the normal course there would have been discussions. What they would have come to is something else.

ASWAN DAM CRISIS REACTION

Senator BARTLETT. If it is appropriate, could you explain a bit more, Mr. Ball, what you meant on page 3 of your statement when you said the Aswan Dam crisis triggered a swift chain reaction.

Secretary BALL. If you will recall the circumstances of the Aswan Dam, after there had been an American rejection of the financing of the dam, there followed the nationalization of the canal, the attack on Egypt, the shutting down of the canal for a period of time. This was followed by the cutting of the pipeline in Syria.

It was followed by a very considerable increased expansion of Soviet influence in the Middle East and this led, ultimately, to the problems in Lebanon which brought about the introduction of our own troops into that country.

Now, I only mention this, and I don't want the committee to think that what I am suggesting is that these things are automatic or that history repeats itself invariably, because that certainly is not the case. What I am suggesting is that this is not only a very critical area of the world, but also a very volatile area of the world and that it is an area where the United States must, it seems to me, trace out its lines of policy, its lines of negotiation, with great coolness and with great caution because there are enormous things at stake here; all the time having only one guidepost, and that is how do we protect most effectively the interests of this country and of the free world. That is what we are trying to do.

UNITED STATES POLICY TOWARD UNITED ARAB REPUBLIC

Following the period of turmoil in the 1950's, about 1959 the United States moved into an effort to try to build back some kind of relationship with the Government of the United Arab Republic, with the thought that by having a continuing relationship we might be able to exercise a moderating influence on the Arab world and, therefore, better advance the U.S. interests. This policy was begun in 1959, it was pursued in 1960. When the Kennedy administration came into responsibility in 1961, it was very carefully examined and the decision

was made to continue along this general line. This has been the line of policy which has been followed up to this point.

Now, whether it is feasible to continue along this line is something which has to be very critically looked at in the light of the circumstances as they evolve. There is only one point that I am trying to make to the committee: That in the course of examination that we leave the President with the kind of flexibility we need during the balance of this fiscal year to carry out this agreement if he deems it in the best interest of the United States to do so.

EGYPTIAN CURRENCY FOR COMMODITIES

Senator BARTLETT. Payment for these commodities is made in Egyptian pounds?

Secretary BALL. That is right.

Senator BARTLETT. Where is that money maintained?

Secretary BALL. I think those local currencies are maintained by the Treasury in banks in Egypt.

VALUE OF AMERICAN DOLLAR AND EGYPTIAN POUND COMPARED

Senator BARTLETT. What is the relation of the dollar in Egyptian pounds versus what the price was when this agreement was made?

Secretary BALL. Could I put a statement on that in the record, Senator Bartlett?

Senator BARTLETT. Certainly. That is all.

(The statement referred to follows:)

RELATIVE VALUE OF EGYPTIAN POUND TO AMERICAN DOLLAR SINCE 1955

From 1955 until the second quarter of 1962 the pound was valued at \$2.87.

During the second quarter of 1962, as part of a stabilization agreement established by the International Monetary Fund, the Egyptian pound was devalued by 20 percent.

From 1962 until the present the pound has been valued at \$2.30.

Senator HOLLAND. Thank you, Senator Bartlett.

Are there other questions?

STATUTORY AUTHORITY FOR 3-YEAR AGREEMENT

I would like to pursue one matter a little bit, Mr. Secretary. Of course, the Congress passed Public Law 480 and the amendment thereto. It is the body which would have to set up such a program which becomes law then with the approval of the President. Under that law, the Department of State and the President were specifically authorized to make such agreements as this 3-year agreement with amendments which you have referred to?

Secretary BALL. That is right.

Senator HOLLAND. And which are now in the record?

Secretary BALL. That is right.

Senator HOLLAND. I note in looking at this agreement that the parties to it are stated to be the Government of the United States—let us read this. The signature is for the Government of the United States

of America and the signing authority is an official of the Department of State, Mr. Phillips Talbot.

Secretary BALL. That is right, sir.

Senator HOLLAND. And for the Government of the United Arab Republic, the signing authority is their Ministry of the Treasury, Dr. Kaissouny.

EFFECT OF HOUSE AMENDMENT

I think it has been shown by the record that the Congress certainly has the power to withdraw that authority and to call off Public Law 480 and in its further relation to Egypt insofar as this \$37 million of undelivered commodities is concerned. The question I want to ask you is this: How would the withdrawal of that authority from the designated executive branch which had negotiated this agreement and has carried it over 3 years to almost full completion, how would the withdrawal of the authority at this time affect the standing, stature, and prestige of the State Department and of the executive department in its dealings with Egypt or with foreign nations in general?

Secretary BALL. I think, Mr. Chairman, that for the Congress to withdraw from the President, which is the way they would have to do it under the language of the statute, the power to complete the transactions under this agreement would tend to impair the President's ability to conduct effective foreign policy with the United Arab Republic at this time, because I think it would be an indication not only to Egypt but to other countries with whom he is conducting foreign relations, that an agreement entered into by an executive department is one that will not be carried out merely at the will of the President, but that it might be interfered with by the action of the legislative branch.

I don't believe that this would be useful, and I can see some very harmful effect, not only in our relations with Egypt, but elsewhere. At the same time, let me say, sir, that I am not saying to the committee that the President is necessarily going to carry out this agreement himself. If he makes the decision to exercise the affirmative right to terminate, then he will be doing it as a part of the conduct of the total relationship with Egypt and of the negotiations which will be carried forward.

Senator SALTONSTALL. What you are saying is that it eliminates any alternatives that it might be possible for the President to carry out.

Secretary BALL. That is right, Senator Saltonstall. That is said very well.

Senator HOLLAND. In effect, if I have understood your last statement, it is this; that even though the President does not recognize at this stage the authority of Congress to take away his power under an executive agreement such as this is, made by prior authority given by Congress, the executory agreement in the field of foreign relations, that you feel that the showing of willingness to withhold authority previously given would be hurtful to him, the President, and to the Department which carries out his decisions, the Department of State, in its relations not only with this particular foreign power, Egypt, but in general.

Secretary BALL. That is the position I am suggesting, Mr. Chairman.

NEGOTIATIONS FOR FUTURE PUBLIC LAW 480 AID

Senator HOLLAND. Are we to understand from what you have said heretofore that at this stage of troubled relations under the statement made by the Ambassador to the appropriate official of the Egyptian Government no negotiations are now underway for the further extension of Public Law 480 aid or other foreign aid to the Government of Egypt.

Secretary BALL. That is right, Mr. Chairman.

Senator HOLLAND. Are there further questions?

Well, I thank you all for your forbearance.

(Whereupon, at 11:15 a.m., Monday, February 1, 1965, the committee proceeded to other business in executive session.)

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