

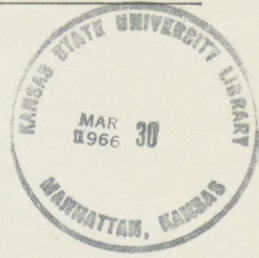
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# MINIMUM RESALE PRICE OF COMMODITY CREDIT CORPORATION WHEAT

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## HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE EIGHTY-NINTH CONGRESS

SECOND SESSION  
ON

### S. 2785

A BILL TO INCREASE THE MINIMUM PRICE AT WHICH WHEAT  
MAY BE SOLD BY THE COMMODITY CREDIT CORPORATION


FEBRUARY 1 AND 2, 1966

Printed for the use of the Committee on Agriculture and Forestry



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1966

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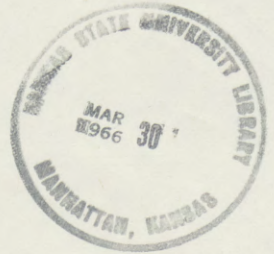
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## MINIMUM RESALE PRICE OF COMMODITY CREDIT CORPORATION WHEAT

TUESDAY, FEBRUARY 1, 1966

U.S. SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 324 Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Aiken, and Young of North Dakota.

The CHAIRMAN. The committee will please come to order.

During the debate last year on the 1965 Agriculture Act I agreed to hold hearings on S. 2785 by Senator Mundt and about 2 weeks ago I notified him that I would be ready to start this morning. So we are here, Senator Mundt. You may proceed.

(S. 2785 follows:)

[S. 2785, 89th Cong., 1st sess.]

A BILL To increase the minimum price at which wheat may be sold by the Commodity Credit Corporation

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 407 of the Agricultural Act of 1949, as amended, is amended by changing the period at the end of the third sentence to a colon and adding the following: "Provided, That, notwithstanding any other provision of law, the Commodity Credit Corporation shall not make any sales of wheat at less than 115 per centum of the current support price for wheat, plus reasonable carrying charges."*

### STATEMENT OF HON. KARL E. MUNDT, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MUNDT. Thank you very much. I have a prepared statement. I will skip over a part of it in the interest of saving time, with the hope that it may appear fully in the record.

The CHAIRMAN. It will appear in the record as though you had presented it in full.

Senator MUNDT. I would like to express my appreciation to the chairman and to the committee for holding these hearings. It was on September 14 last year, during the floor discussion of the Food and Agriculture Act of 1965 that I called up my amendment, No. 444, which was generally sponsored by Senators Young and Carlson. And we had a little colloquy and the chairman suggested that this controversial question might better be decided through committee hearings instead of taking it up on the floor and getting a vote on it, and if we would withdraw it he promised to hold hearings early in February, and being the sterling character and man of his word as the chairman is, he has done that. I appreciate it.

We are fortunate in the Farm Belt in having a chairman like Senator Ellender who has a real genuine interest in agriculture, not only in rice and cotton and tobacco or southern crops where he lives, but all over the country as a whole and he has traveled extensively in our agricultural areas, including an area where he had an experience as a boy, I believe, in the wheat industry in Edmunds County, S. Dak., which I hope has left him with a nostalgic sympathy with the problems that we now are confronted with, and which ought to influence him directly in favor of our amendment.

There are many issues involved with respect to the resale power now held all too tightly in the hands of the Secretary of Agriculture. However, if we are to appraise this issue so that we can understand all of its implications, I believe it only fair to present the position of some of the eminent people who are directly involved in this basic issue.

First, I should like to quote from recent statements of the President of the United States. In the farm message submitted to the Congress on February 4, 1965, President Lyndon Johnson made one of the most forward-looking farm policy statements with respect to the vital force and income-generating thrust provided by the free market. The President said something which I think is a good background for what we are trying to do here today through our amendment, S. 2785.

In that historic message the President stated:

The bounty of the earth is the foundation of our economy.

The farm people of this Nation have made, and are continuing to make, a lasting contribution to our national prosperity. As a matter of simple justice they should share equitably in this prosperity. They deserve a place of dignity and opportunity.

The President sets forth his objectives as follows:

1. An abundance of food and fiber at reasonable and stable prices for the people of the United States.
2. Effective use of our agricultural resources to promote the interests of the United States and world peace through trade and aid.
3. A workable balance between supply and demand at lower cost to the Government.
4. Opportunity for the efficient family farmer to earn parity of income from farming operations.
5. Parity of opportunity for all rural people, including new opportunity for small farmers.

There must not be overlooked the one fundamental fact which the President recognized if we are to attain the goal of parity of income—the vital force of the free market. He declared as follows:

Our objectives must be for the farmer to get improved income out of the marketplace with less cost to the Government.

To do this I am asking the Secretary of Agriculture to so utilize the Commodity Credit Corporation as to make the free market system work more effectively for the farmer. We must encourage the private segment of our economy to carry its own inventories, bought from farmers rather than depending on the Government as a source of supply. We must urge the private sector to perform as many services as possible now performed by Government agencies.

Fundamentally, this was not a new thought of President Johnson's for in December of 1963, in a public letter to the president of the American Farm Bureau Federation, he asked:

How can we use the pricing mechanism of the free market with more vitality than presently? In this endeavor, how can we better coordinate the role of Government with the area of the private sector, including farmers' own institutions in the marketing of farm products. In this endeavor how can our ef-

iciency in producing and marketing be reflected in fair and open competition in the world markets?

Our amendment, S. 2785, moves directly, Mr. Chairman, along the path which was set up by the President in that statement.

In making a public statement regarding his request of the Secretary of Agriculture, this is a definite expression by the President that there be a changed course in Commodity Credit Corporation's sales policy. Unless the present sales policy is changed, we cannot achieve the objective of parity of income for efficient family farmers. Nor can we move as rapidly as we should in the direction of the free economy that the President spoke about. The only way that we can attain this goal is by farmers getting a greater share of the free market. This cannot be achieved if the current minimum sales formulas for wheat and feed grains are continued. Raising the minimum sales price is one way to achieve this objective. On February 18, 1964, the Vice President of the United States, Hubert H. Humphrey, addressed his then fellow Members of the Senate with respect to the important issue of Commodity Credit Corporation sales of wheat. Let me quote from that statement, because it is as strong in support of my position as any man could make:

Any measure that we pass should contain a provision that the Commodity Credit Corporation be not permitted to sell Government-owned wheat for unrestricted use for less than 115 percent of the loan rate plus reasonable carrying charges.

As Americans begin to respond to the demand for wheat and as the price to the farmer begins to rise, the Commodity Credit Corporation can establish a price ceiling by selling its Government-owned stocks at 105 percent of the loan rate.

Mr. President, again I point out that the law sets the minimum, not the maximum.

By requiring the Commodity Credit Corporation to sell at not less than 115 percent of the loan rate—which I recommend—the wheat farmer could receive from 10 cents a bushel to 15 cents a bushel more for his wheat. At the same time, the value of the inventory held by the Commodity Credit Corporation would increase. So, Mr. President, from both points of view, including the Government's investment in its own inventory of wheat stocks, a provision of 115 percent of the loan rate as the minimum sales price for the Commodity Credit Corporation would be desirable. To the farmer it would be very desirable, because it would mean the market price would be affected in a beneficial manner by increasing that price by anywhere from 10 to 15 cents a bushel. Also, the Government could realize a higher price for its wheat, due to strong world demand, and the free market could operate to provide realistic differences between grades and types.

This, of course, is precisely what our amendment provides, in that when it says, "Notwithstanding any other provision of law, the Commodity Credit Corporation shall not make any sales of wheat at less than 115 per centum of the current support price for wheat, plus reasonable carrying charges."

So I bring in this morning, in absentia, as cowitnesses in support of our amendment, the President of the United States and the Vice President of the United States. I wish that I could also bring in the Secretary of Agriculture as an articulate advocate of it, but I am not sure that I can. I suspect that he will be here to speak for himself.

The CHAIRMAN. Let me ask you to comment on this: As I understand it, the law provides for not less than 105-percent plus charges, and here recently the Secretary of Agriculture stated he would sell

at 108 plus. Would it not be possible for the Secretary of Agriculture to do exactly what your amendment does, if he saw fit to do so?

Senator MUNDT. It would be entirely possible. And we would like to feel that the discussion that we have had and the arguments we have presented and the colloquies on the floor of the Senate helped result in that desirable movement from 105 to 108. He could go to 115, but I suspect that he sort of wants some congressional guidance, and we would hope that the adoption of this amendment would provide him with that guidance and with that encouragement. You and I do not believe in having the executive branch operate without some consultation.

The CHAIRMAN. I am just asking the question, since the President is so much for what you say—since the Vice President is, too—and I imagine that they would have a great deal of influence on Secretary Orville Freeman.

Senator MUNDT. I would hope so.

The CHAIRMAN. And under the law as it is now written, he could do the very thing that you would suggest we do, and the only objection that I can see at the moment is that you would make it a rigid 115 percent, when I feel that there must and should be some flexibility.

Senator MUNDT. Even if there is a concept of flexibility, psychologically it has had impact on the cash market price and it is disturbing to the farmer. I believe that the Vice President of the United States has exercised whatever influence he has on the Secretary of Agriculture. I do not know about the President. I grant that he has a lot of other problems in Vietnam and elsewhere and he might not have gotten around to talking to the Secretary of Agriculture about bringing his policies in line with the President's pronouncement to the Congress, but we can understand that. I believe that the policy, however, does have the complete support of the President and the Vice President.

In a speech to the American Farm Bureau Federation in 1964, the distinguished gentleman who is now Vice President said:

The Commodity Credit Corporation was established and I quote from its charter:

"For the purpose of stabilizing, supporting, and protecting farm income and prices, of assisting in the maintenance of balanced and adequate supplies of agricultural commodities, products thereof, foods, feeds, and fibers, and of facilitating the orderly distribution of agricultural commodities."

I do not want my remarks to be interpreted as indicating that I am opposed to the Commodity Credit Corporation for I do not know what the American farmer would do without it. But the Commodity Credit Corporation was established with limited responsibilities. It was established to supplement farm income, not depress it. It was established to put a floor under prices, not a ceiling. It was established to aid the farm producer to supplement the normal channels of trade and not to supplant them. And let me add, it was also established to cooperate with farmer-built, farmer-owned, and farmer-operated organizations.

At times I've heard disturbing evidence that the mandate of the Commodity Credit Corporation charter has not always been followed. There's a tendency on the part of some to want to make it a going business concern. The Commodity Credit Corporation was not organized to do the business of the grain trade or of the farm cooperatives. It was established to make the marketplace more orderly, not more disorderly. It was created to help improve the price structure for the farm producer and not to lower it. It was established to promote orderly marketing and not to engage in dumping.

Therefore, it is the responsibility of the Congress to see that the Commodity Credit Corporation operates within the framework under which it was designed.

Thus, the President of the United States and the Vice President have both spoken in ringing terms on this issue. Let us consider now the great farm organizations, and their position, who have also supported this.

Senator YOUNG of North Dakota. I think that at this point it would be well to point out that rather than raising the resale price of the Commodity Credit Corporation stocks that Secretary Freeman in his 1964 announcement issued an order halting all sales of Commodity Credit Corporation of Hard Red Spring wheat and then this was followed in March 1965, halting all sales of other classes of wheat. This placed the Secretary of Agriculture in a very untenable position. He could not forever refuse to sell Commodity Credit Corporation-held wheat at any price, so that eventually he had to establish a resale price, and when he did this did have a rather severe reaction on the market. The higher protein wheat dropped from 15 to 20 cents a bushel almost immediately and the drop in the cash price would have been far more drastic if boxcars had been available—it was almost impossible to get boxcars out there. So that there was not much Commodity Credit Corporation wheat moving to the terminal markets from that area, but if there had been a drop in the cash price of the high-protein wheats they could well have dropped 30 or 40 cents a bushel, but, as I pointed out, he placed himself in the untenable position of not selling at any price. He would have been far better off if he had said that he would sell for 115 or 110 or 120, because then the trade and the farmers would have known where they were at, but refusing to sell at all for a full year did place a terrific amount of uncertainty on what he would do in the future.

The CHAIRMAN. I suggest to the Secretary of Agriculture that he send somebody here to listen to these hearings, to look them over, and I promise to listen to their side.

Senator MUNDT. That is perfectly appropriate. And what the Senator from North Dakota has said is certainly a historic fact. It had this impact.

In addition to the President and the Vice President who spoke in categorical terms as to the type of policy they support, and which policy S. 2785 fits just like the hand fits the glove, let me bring in the testimony, the statements of the three largest farm organizations in our country.

The president of the largest farm organization in the United States, Mr. Charles Shuman, the American Farm Federation, stated it most succinctly as follows:

To protect farmers against competition from the release of Commodity Credit Corporation surplus stocks of wheat and feed grains, sale of these stocks at less than 125 percent of prevailing support levels, plus reasonable carrying charges, would be prohibited except for sales that are offset by open market purchases. (This exception is designed to provide needed flexibility for the maintenance of good inventory management practice.)

Farmers' experience with the Commodity Credit Corporation dumping of both feed grains and wheat under the "emergency" programs of recent years has been highly unsatisfactory. The isolation of Commodity Credit Corporation stocks from the market would reinstate immediately the traditional functions of the market system in establishing farm commodity prices and guiding agricultural production. Farmers should not be handicapped by ceilings put on current commodity prices through the dumping of Commodity Credit Corporation stocks, which have been built up under unsound programs of the past.

And I can interpolate that there have been some recent problems in South Dakota because the Commodity Credit Corporation has been dumping corn into the market.

Now, the president of the National Farmers Union, James G. Patton, stated as follows:

The policy of the Farmers Union as stated by our delegates is that "no Commodity Credit Corporation inventory of wheat could be disposed of at less than 120 percent of the support price and other policies concerning Commodity Credit Corporation marketings (including feed grains) should be directed toward strengthening the regular market structure."

We consider the spread between the support level now set at \$1.25 and \$2.50 (basic support rates plus \$1.25 certificates) proposed for domestic wheat under the provisions of the new farm bill to be wide enough to permit increasing the Commodity Credit Corporation's sale price of wheat to the level we recommend.

This matter was fully debated at our convention and by decisive action of the delegates is the policy of Farmers Union.

It is our sincere hope that the subcommittees as well as the full House Agriculture Committee will see fit to approve recommendations of our organization in this regard.

I call attention to the fact that these two great organizations, that one says 125 percent and the other says 120 percent. Senator Young and Senator Carlson in our amendment of a year ago, and Senator Young and I, in this bill today, S. 2785, have taken a somewhat more moderate effort to go at least to 115 percent.

The largest grain marketing cooperative in the world, the Farmers Union Grain Terminal Association, of St. Paul, Minn., stated as follows in a recent radio broadcast:

It must also be pointed out that the Government now owns unrestricted less than 600 million bushels of wheat, an adequate but not overlarge national reserve. Farmers and the private and cooperative grain industries are perfectly capable of storing and handling commercial supplies. The Government does not have to load up its inventories with more wheat and is not forced to do so.

For example, right now a good many farmers have 1964 wheat stored under the loan program. They are intelligent and capable people, and they work with sharp pencils to determine how to market that wheat to their best advantage. Should they turn it over to the Government or market it at their elevators and pay back the loan?

If they desire to pay back the loan, they must pay interest for the period they have used the Government loan money. They were forced at the time they took out the loan to pay the first year's storage. So, they must realize in the marketplace at least 10 cents more per bushel than the loan value to come out even. That means the market price would have to be at least 110 percent of loan. We figured the market price one day last week, and it was at 107 percent of loan, approaching the point where farmers could redeem without loss.

These redemptions keep grain out of Government bins which is considered to be desirable at this time. Thus the Government saves money. Farmers benefit. Farmers' cooperatives are able to market and merchandise grain and use their arsenal of facilities to improve returns to farmers. It also gives the co-ops a chance to bargain for better protein premiums, which they obtained for farmers in the first place. When grain goes into Government hands CCC enforces rigid control of protein premiums with its own schedule of values.

But if CCC resumes wheat sales at only 105 percent of loan, you know from experience that market prices will hover at just about that level. The lower CCC schedule of protein premiums will prevail. Farmers will have little or no incentive to redeem their grain. They are almost forced to turn it over to the Government. Then the whole round robin of putting wheat into and selling it out of Government bins goes on. USDA is put on the defensive, forced to try to defend itself against its critics in and out of Government. Farmers get a bad name with taxpayers. They get lower prices for their grain. Their cooperatives are hamstrung in the marketplaces.

So you see the value in simply raising the CCC grain resale price to allow the CCC to operate within the charter given to it by Congress—and in full recognition of farm program goals as outlined by President Johnson himself.

This is a program which our chairman has approached many times, to have the Government move into private trading, that the private trading can take up.

The CHAIRMAN. I express the hope that either you or some other witnesses will discuss this matter further in the light of the fact that all domestic wheat yields parity to producers in other words, if all of the wheat were of the same category as the wheat that was sold abroad, your argument might be even stronger than otherwise it would be if we did not have the domestic market at parity as is provided in this.

Senator MUNDT. This would, of course, be true. If all of the wheat that were grown was being sold at parity, we would not be in this kind of problem, but under the two-price system as the Senator so well knows, this is not the case. This just deals with the wheat that is sold locally.

The CHAIRMAN. I am telling you that, since the farmer is receiving the full parity on the domestic use wheat that he produces. And it would seem to me that the arguments that have been advanced by you and others would be tempered somewhat because it affects only the wheat to be sold abroad.

In any event I would like to have it in the record.

Senator MUNDT. We have a very distinguished farmer here present with us, a very distinguished Senator, too, so let us have Senator Young talk on this.

Senator YOUNG of North Dakota. Under the new program, of course, the loan price is \$1.25 a bushel, and since it is tied to a corn loan value which has been dropped 5 cents a bushel, I imagine that next year the wheat loan price will drop by 5 cents a bushel or to \$1.20 a bushel. This means that cash wheat prices for all of the wheat that the farmer produces, not just that portion consumed in the United States, are governed by the resale price of Commodity Credit Corporation held stocks or foreign exports and the marketplace itself. So you cannot expect the cash price to get far above this level except for the higher protein wheat.

The CHAIRMAN. What I had in mind, Senator Young and Senator Mundt, was simply this, that we are striving here to assist the farmer, the producer of this commodity, and it seems to me that since the Government more or less guarantees all wheat that is consumed locally, that is, domestically, it will receive \$2.67.

Senator YOUNG of North Dakota. That is not the cash price, Mr. Chairman. That is the loan price, plus the wheat certificate payment.

The CHAIRMAN. Yes, but still that augments the guarantees, more or less the returns at parity, and the point that I was trying to make was that if all wheat were fixed, that is, the sale of it were fixed at so much a bushel, a better case could be made than can now be made, so far as the terms of the producer are concerned.

Senator MUNDT. From the standpoint of the producer, Mr. Chairman, a very direct help that accrues to him from S. 2785 is because frequently the market prices are working up above this present 105 percent or the new price that the Secretary set of 108 percent, but as soon

as they tend to work up and the farmers can get a better cash price for his grain, of course the Commodity Credit Corporation dumping in from its great stacks of grain, wheat, on the open market, inevitably forces down the price, and even if it does not, so long as they have the power and the authority and the historical pattern of dumping it in, it tends to hold prices down, because people are buying on speculation in anticipation of what the price is going to be.

The Food and Agriculture Act of 1965 is a 4-year legislative vehicle which offers the opportunity for administration for the benefit not only of our farm people, but also for the consumer, the taxpayer and the private channels of trade.

It puts this Nation well along the road toward a basic change in farm policies, for, despite similarities in appearance and purpose with previous legislation the new program provides a new approach to farm policy.

Specifically, the provisions of the act of 1965 represent a shift in policy away from price supports for the major commodities at levels above world prices, to a policy which properly administered, permits the using of the market, both domestic and foreign, by setting price supports as close to the market level as possible.

At the same time, farm income will be strengthened through provisions for direct payments to farmers who cooperate by diverting productive acres to other uses.

For as Secretary Freeman recently stated :

Increased reliance will be placed on market demand as a key factor in market pricing. This means that the farmer will be able to price his products competitively in both domestic and world markets, and that the daily business of acquiring and disposing of surpluses through Government channels will be greatly diminished.

This new approach will encourage maximum domestic use of farm commodities—and slow the development of substitutes, and it will also enable the farmer to gain a stronger position in world trade. These programs, for example, take a big step toward fulfilling obligation under the General Agreement of Tariffs and Trade, to use export subsidies as sparingly as possible in gaining a fair share of world markets.

However, the fact that this legislation is not being properly administered to maximize returns to farmers—farmers who are still a long way from parity of income. We must raise the minimum, the Credit Corporation resale levels. We must amend the Food and Agriculture Act of 1965. We must do this as a matter of simple justice. We must do this to bring farmers closer to parity of income levels. We can achieve that goal by writing S. 2785 into the law.

You have pointed out the fact that the Secretary has increased to 108 percent the minimum price, but it is also true that using the legislative authority which the Secretary has, there have come shock wave after shock wave that has been directed at the farmers' markets by announcement after announcement emanating from the Secretary's Office of the U.S. Department of Agriculture. Each announcement provided for broadened offerings of Commodity Credit Corporation owned wheat in an effort to place a damper on recent market strength in grains.

One day it is an offering to break the market in high protein wheat. Shortly thereafter the U.S. Department of Agriculture announced that all qualities of wheat from Commodity Credit Corporation stocks

are being offered for sale for unrestricted use "to assure adequate market supplies."

Suddenly, in spite of the fact that there was about 112 million bushels of wheat in the 1965 crop still under loan, the Secretary announced he would sell unrestricted quantities at price-depressing levels.

It is most significant that the very Secretary of Agriculture who presented the Congress with legislation which would have resulted in wheat costs to the mills, including domestic certificates in excess of \$2.55 per bushel, now takes the position that wheat which costs the mills some 40 to 50 cents less than this should be attacked and by means of the heavy armament of Commodity Credit Corporation sales "price stabilized." This is really a fast shifting of gears into reverse. The Secretary has used the English language to make a complete U-turn. In this process he has reduced wheat growers' income.

Actually, the Secretary of Agriculture has admitted in testimony on April 6, 1965, before the House Committee on Agriculture that he has been using and would continue the sales of Commodity Credit Corporation owned stocks to hold down prices in order to force participation with the "voluntary" program.

The U.S. Department of Agriculture claims it needs the lower resale price to force participation in the program. Let us examine this.

The noncooperator is not eligible for the loan or payments. He is most likely to be forced to sell in the early part of the marketing year, when prices are seasonally lowest. The cooperator can use the loan and practice orderly marketing—a long-term objective of all farm programs. The average price received by the cooperators will be higher than for noncooperators.

You do not need these pressure tactics. Incidentally, I just happen to be one who does not believe that when you establish a voluntary program that you should provide a whip in the hands of the administrator to force those who do not want to voluntarily join to have to join under coercion for fear of going into bankruptcy.

Secondly, the cooperator is eligible for resale payments on farm-stored grain.

Third, the cooperator gets payment whether or not he makes a crop. This is an important insurance feature.

Fourth, the diverted acreage put into conserving crops is more productive the following year.

Fifth, the farmers' own marketing organizations lose if the Government dominates the market system; so do other private marketing entities.

Another reason sometimes advanced for lower retail prices involves budgetary costs—specifically, for the wheat export subsidy. If we assume that the world wheat price will be below the U.S. market level, there is some validity in this point. The difference between 105 percent of loan and 115 percent of loan for 1965 will be 10 percent or about 13 cents per bushel. However, the proponents of the lower resale level state mistakenly that the increase in budget costs will apply to the entire quantity exported. Students of markets recognize that with a wheat crop of 1.3 billion bushels it would only be late in the marketing season, if at all, that the market price would rise to the \$1.44 level plus carrying charges. For the first few months of the marketing year wheat would sell below the current minimum resale level. The increased direct costs would be about \$40 million—not \$84

million. The increased income would be about \$100 million—2½ times the higher costs. Income tax receipts from farmers would be higher—much higher. Government handling costs would be down sharply. It would go all of the way in recapturing for the Government the \$40 million costs which it has to generate this increase in prosperity among the wheat producers.

As a matter of fact, the U.S. Department of Agriculture admits this, as is revealed on page 2293 of the September 14, 1965, issue of the Congressional Record, where the following is found:

In the past 4 years approximately 46 percent of the entire wheat crop was sold by producers during the first quarter of the marketing year. Fifteen percent was sold in the second quarter, 19 percent was sold in the third quarter, and only 20 percent in the last quarter. It is reasonable to assume that higher markets resulting from the resale policies of Commodity Credit Corporation would not occur until well into the third quarter of the marketing year.

There is a basic advantage to the cooperator for the market to be at or above the loan level. This is due to the fact that most wheat that goes under loan is warehouse stored so the farmer must pay for the storage. Thus, taking the heavy pressure of Government sales off the farmer's back enables him to realize more in the market when he wants to use the market. If, on the other hand, he wants to use the loan for orderly marketing, this alternative is available to him.

It should be noted that, for a cooperator who puts his wheat under warehouse loan to net \$1.25 per bushel, the market must rise to about \$1.38 per bushel. The 13 cents covers storage costs, interest, and fees. If the farmer is forced to turn the wheat over to the Government, he nets only about \$1.14 per bushel. This is just too little. It is too high a price to pay to pursue a punitive policy.

Also, the average wheat allotment for noncooperators in the wheat program is about 10 acres—for cooperators it is five or six times as much. It ill behooves any administration to use the pressure of a \$14 billion Government corporation to force down the income of these small producers. There are some 700,000 nonparticipants in the wheat program and about 1.7 million in the feed grain program.

It was never the intention of Congress that the Commodity Credit Corporation stocks be used to reduce farm income. With the threat that all the Government-owned wheat is available at the legal minimum, there is very little reason for any private firm to own wheat. The Commodity Credit Corporation is handling millions of bushels which otherwise would be carried by the trade. This is expensive to Commodity Credit Corporation in increased costs, to the farmer in reduced income, to the trade in reduced income, to the trade in reduced profits, and to the Federal Treasury in reduced income taxes.

I have sat around this table for many years as a member of this committee, and it was never intended that the farm program would be a ceiling. It was to be a floor to keep farmers from running into economic disaster, not either to provide a substitute for a market and, certainly, not a ceiling.

I believe that there is an exceedingly stronger case to be made in favor of amending the present legislation by S. 2785. I think this is necessary in order to meet the President's objectives, plus increasing the vitality of the entire marketing system, plus reducing net Government costs, plus bringing the farm program into harmony

with the public expressions of both the President and the Vice President of the United States. Our amendment to increase the minimum resale price of wheat to 115 percent of the loan, plus reasonable carrying charges, will accomplish these objectives.

I thank you very much, Mr. Chairman.

Senator YOUNG of North Dakota. Mr. Chairman, if the Department of Agriculture and the Commodity Credit Corporation, to be specific, would use this stock to hold cash prices at or near the loan level the free market would not fluctuate at all. Most farmers then would be taking loans and the Federal Government would continue to take over much of this wheat. There is a vast difference in whether the CCC is selling wheat at 105 percent of the price support or 115 or 120 percent of the price support. If cash wheat were selling at 115 percent of the price support or better, the Federal Government would acquire very little wheat, and the only cost that it would have then would be the payment of the wheat certificates. If they decide to use this program as a price ceiling and hold the price at about the loan level, then they can expect to continue to acquire large stocks of wheat.

Senator MUNDT. And you perpetuate the need for expensive farm programs which might some day not be required if we return to a place where you can give the farmer a fair price for a full crop in the marketplaces.

The CHAIRMAN. I just asked for the world price on wheat, and I was given that information just now. The gulf price, December 16 of last year, the world price was \$1.56, U.S. price \$1.77. That is Hard Winter wheat.

And as of January 27, the most recent figures, the gulf price, U.S. price, was \$1.82; and the world price \$1.60, for Hard Winter wheat.

I thought that I would put that into the record.

Senator YOUNG of North Dakota. What quality was that?

The CHAIRMAN. We might put in the record the other costs, the other prices. It was average protein. We will put in the record here these prices.

(The information referred to follows:)

*Grains: Export prices basis prompt or 30-day shipment, Dec. 16, 1965*

[All prices per bushel except grain sorghum per hundredweight f.o.b. vessel]

Port markets	Wheat <sup>1</sup>		Corn No. 2 Yellow	Soybeans No. 2 Yellow	Barley or grain sorghum <sup>2</sup>
	Grade	Price			
Duluth.....	No. 1 Heavy Northern Spring, 14 percent protein.	\$1.87			
Baltimore.....	No. 2 Soft Red Winter	1.82	\$1.40	\$2.77	\$1.45
Gulf.....	No. 1 Hard Winter: Ordinary protein.....	1.77	1.40	2.74	2.16
	14 percent protein.....	1.81			
Pacific Northwest.....	No. 2 Western White.....	1.60			1.32

<sup>1</sup> The export payment rate for wheat on Dec. 16, was 51 cents per bushel for Spring wheat from Duluth, 52 cents for Soft Red Winter from Baltimore, 51 cents for Hard Winter from the gulf, and 29 cents for White wheat from the west coast. To compute indicated net price to foreign buyer, add 30 cents (export certificate) to above price and subtract appropriate export payment rate.

<sup>2</sup> No. 3 barley at Baltimore, and No. 2 barley in the Pacific Northwest; No. 2 yellow grain sorghum at Houston or Galveston.

*Grains: Export prices prompt or 30-day shipment, Jan. 27, 1966*

[All prices per bushel except grain sorghum per hundredweight f.o.b. vessel]

Port markets	Wheat <sup>1</sup>		Corn No. 2 Yellow	Soybeans No. 2 Yellow	Barley or grain sorghum <sup>2</sup>
	Grade	Price			
Duluth.....	No. 1 Heavy Northern Spring, 14 percent protein.	\$1.90			
Baltimore.....	No. 2 Soft Red Winter	1.85	\$1.47	\$2.98	\$1.46
Gulf.....	No. 1 Hard Winter: Ordinary protein.....	1.82	1.45	2.99	2.16
	14 percent protein.....	1.88			
Pacific Northwest.....	No. 2 Western White.....	1.64			1.39

<sup>1</sup> The export payment rate for wheat on Jan. 27, was 50 cents per bushel for Spring wheat from Duluth, 53 cents for Soft Red Winter from Baltimore, 52 cents for Hard Winter from the gulf, and 30 cents for White wheat from the west coast. To compute indicated net price to foreign buyer, add 30 cents (export certificate) to above price and subtract appropriate export payment rate.

<sup>2</sup> No. 3 barley at Baltimore, and No. 2 barley in the Pacific Northwest; No. 2 yellow grain sorghum at Houston or Galveston.

Source: From Grain Market News, USDA, Jan. 28, 1966.

Senator YOUNG of North Dakota. What date are those prices for?

The CHAIRMAN. The last one was January 27. That is ordinary protein wheat, No. 1.

Senator YOUNG of North Dakota. The cash price is up quite well now, largely because the Commodity Credit Corporation did not sell at all until about 2 months ago. Also, the shortage of shipping—it is just impossible in most areas of the Hard Red Winter and Hard Red Spring wheat-producing States to get boxcars to get this wheat to market—which has had an effect in holding up prices.

The CHAIRMAN. As I understand it, if the amendment were adopted the 115 percent of the support price of \$1.25 would make the wheat sell for \$1.43 or \$1.437, and to that you would have to add the storage charges which would amount to a cent and a half per month, plus the carrying charges for the freight which is about 50 cents per truck and 1¾ cents by rail per bushel.

Senator YOUNG of North Dakota. They start recomputing these charges each year. They cancel out the previous years costs on July 1. With the cash wheat selling at present prices the 115 percent resale level would not be effective, because prices are over the 115 percent now. We are trying to protect against future drops. The market price quoted here for export is above what we are advocating.

The CHAIRMAN. As I said a moment ago, the Secretary still has the right to increase that if he sees fit to do so.

Senator MUNDT. He would still have the right under our legislation, Mr. Chairman, to increase it, if he sees fit, to the recommended 120 percent by the National Farmers Union or the 125 percent by the American Farm Bureau Federation, but he would not have the right to drop it so precipitously as to create losses for the farmers and to prevent them from getting what would otherwise be a profitable price to help get the farm problem off from the backs of the American taxpayer.

The CHAIRMAN. He would not have the right to have it below that.

Senator MUNDT. That is right. He would still have the right to increase it if he wanted to do so.

The CHAIRMAN. Yes, sir.

Senator AIKEN. The President sent up a message today on foreign aid and he is sending up one on Public Law 480. He is also sending up three different propositions tomorrow and the next day, I understand. One of those messages will relate to the amount of reserve which we should keep on hand for our own security reasons.

I am wondering how that may be tied in with this proposed legislation of yours. I have not seen the message as yet.

Senator MUNDT. I have not, either, but I cannot see how it will run contrary to our concept, because we are trying to prevent them from dumping the reserves into the market at sweatshop prices. I do not know what the program is, however.

Senator AIKEN. He is going to recommend, I expect, maintaining a real sizable reserve in this country in our own elevators. And I just wondered what that amount is and if it is already on hand.

Senator MUNDT. I do not have the figures that he arrived at.

Senator AIKEN. I agree that we ought to keep a year's supply on hand for our own good. And we have increased demands from other countries, all buying at less than cost, if they can get it.

Senator MUNDT. I think, generally, the whole story on this whole area of feed grains is reaching a point where we no longer have the amounts of unmanageable surpluses that we used to talk about here.

Senator AIKEN. I think that the Secretary agrees we do not have any surpluses of wheat to speak of. He seems to think we have a surplus of feed grains. I would question that, too.

Senator MUNDT. We are reaching a point where we do not have the stupendous surpluses of earlier years. We are, certainly, reaching a point then where the wheat producer ought to be entitled to get a fair price.

Senator YOUNG of North Dakota. I understand a proposal will be made to tie the resale price for wheat to the amount of carryover. If, for example, the Government's determination is that 500 million bushels is a minimum which should be carried, then you could graduate the resale price to 115 to 125 percent, when you reach this lower level. I think that a proposal such as this has considerable merit. On the other hand, if you have a 1,500 million bushel carryover, then the resale price should be lower.

Senator AIKEN. I do not know what the recommended carryover figures are. I think that we have got to watch one thing, that we do not transfer this authority to handle agricultural commodities to some other agency of Government which would, probably, do worse. We used to say that "too many cooks spoil the broth," and sometimes nowadays I get the idea that we have too many broths for one cook.

The CHAIRMAN. I had one occasion to discuss the extension of Public Law 480 with the Secretary of Agriculture, and we both hope that he can present something we can agree on. I believe that this will come, probably, this week or next week.

Senator AIKEN. It is due this week.

The CHAIRMAN. Are there any further questions of Senator Mundt? If not, we are very glad to have had you here.

Senator MUNDT. Thank you. It has been good to come back to my old surroundings.

The CHAIRMAN. Is Senator Pearson present? If not, the Senator will have the opportunity to file his statement in the record, if he so desires.

Our next witness is Mr. Harry L. Graham of the National Grange. We have heard from you quite a few times, and I hope that whatever you present will not be repetitive.

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

Mr. GRAHAM. Mr. Chairman, we appreciate the opportunity of appearing again. In the context of this legislation we have presented our position before and we want to reaffirm in general the position which we have previously taken which was in opposition to the increase in the resale price.

Instead of reading my testimony, I want to just pick out some of the main points, which procedure I am sure will meet with the approval of the chairman of the committee, because of the time element that is involved here.

The arguments which have been advanced in favor of the resale percentage being increased could not appear to us to be as valid as they do to some of the proponents of this.

The wheat program which we have, which has been developed by this committee and the Congress is working. We have seen a reduction of Government taxes. We have had a saving on storage costs. We have gotten the wheat market price in about as good a situation, all in all, as it has been for a long time. It is not perfect, by any means, but in the light of the total world situation and the world market situation we do not see that it is going to be improved by this legislation.

The Grange, I think, would point out—and I am doing this rather quickly; if I had more time I would put it in nicer words—that we do not have any elevators. We have no particular interest at that point. We do have the conviction that a great deal of the pressure to change existing law comes from organizations that have very much of an interest in elevators and elevator storage.

I point out at this point that the Commodity Credit Corporation owns bins with a capacity of about 855 million bushels, part of a 4-billion storage capacity. At the present time we are about 40 percent full. The fact is that the commercial warehouses on December 31, 1964, were operating at only 36.37 percent of capacity; on March 31, 1965, at 31 percent of capacity; on September 30, 1965, at 20.11 percent of capacity; and on December 31, 1965, at 26.41 percent of capacity.

There is another consideration in this situation which cannot be disregarded as a reason for the proposed change in our basic agriculture act. We are convinced that this change would slow down, stop, and, probably, reverse the trend toward the reduction of Government stocks, and, consequently, elevator space utilization.

The general line of attack on the resale prices is the assumption that the resale prices would raise the income of the farmers which would go up in proportion.

In the case of feed grains and wheat, the price has been at the loan rate or about at the loan rate for many years. There have

been times when most of the people that sell their crop will sell it at harvest, and a great many of them are not in any position at all to take advantage of the time that is necessary to wait to get the maximum benefit from the storage program that is a part of the Commodity Credit Corporation program.

We point out, also, that the grain trade, of course, is very much interested in this. We understand why they would be, but the fluctuation of 7 to 10 cents at the present would be allowed to become 15 to 20 cents in the future, and this fluctuation would be money going to them, instead of to the farmers.

The other problem that I think that we have is in terms of the budget. The increased holdings in storage and the increase in costs of the program would have to come from the loan level. It is at precisely this level that the smaller farmer would suffer. A decline in the loan level would be felt more stringently, and that would be where the results would be more serious. Even at this level, the net effect would not be to increase the net income for most farmers.

The resale being increased on wheat and remaining on corn at the present level would present a problem, because both wheat and feed grain resale levels were determined after lengthy consultation among the wheat- and feed-grain-producing organizations.

The relative equality of the value of free wheat and that which is not eligible for domestic or export certificates, and the value of wheat grains are fairly equal. If this is destroyed, then, in our judgment, it would preclude the use of the substitution clause, and, again in our judgment, the substitution clause is very much desired.

In the case of international trade, the point has already been made by the Senator from North Dakota and the information which you have inserted into the record, Mr. Chairman, in terms of the prices that we have at the present time. I would point out in relationship to this that even at the present level we have extreme difficulty in selling for cash during the last half of the marketing year.

We are selling wheat, of course, under concessional programs where other things are involved besides cash. However, the cash market has declined, and I think will continue to decline, unless we can keep the flexibility which we built into the program in last year's legislation, allowing us to become competitive in the world markets with variable export certificates.

Frankly, after spending more than a little time with some of our international friends, some in Europe and other conferences, we believe that the legislation which was passed covering this point in the omnibus bill of 1965 has done more to strengthen our trading position and to strengthen the hands of our negotiators in GATT, in the cereals group, which has been talking in terms of international wheat agreements, than anything we have done in a long time. This is true because we have served notice on the world that we can be competitive in world market prices if we have to be competitive. If the only way we can gain markets is through competition, then we are in a position where we can gain markets through competition. Apparently, it scares the heck out of our Canadian and Australian and New Zealand friends and even the French. One French leader last fall, in a conversation said after a certain amount of preparation that the time had come when the wheat-exporting companies will have to get together on some kind of

sharing markets and the like. At the meeting in Rome, in the suggestions for the improvement of the international wheat agreements, if there is a new agreement there to be negotiated, there was the American suggestion of sharing the markets, the surplus, the food aid load. This was accepted by the farm organizations of all major wheat-producing countries, and is a major shift and quite an accomplishment. We were able to tell them—the Canadians, Australians, the French, and the New Zealanders—that because of our present legislation we were in a position now, if we wanted to, if we had to, if they forced us to—and we hope that they do not force us since we do not want low prices for American farmers any more than they do for their own people—but we are in a position to compete in the world market on prices. If that is the only basis that they want it, then we are ready to do that.

I think anything at the present time that indicates that we are unwilling to compete on the world markets for a price, that we are going to hedge our prices upward at this point, tends to weaken the negotiating situation in both GATT and the cereals group in GATT and in whatever talk is being done on the international wheat agreement. This, in our judgment, is an extremely critical part of the consideration of this legislation.

The fact is that we would simply become noncompetitive after about the first of the year. This is the time, we must remember, when America can do a better job of exporting than at a number of other times, because it is when the Canadian ports freeze up, and this is what created the market for the Russian wheat a couple of years ago. We fiddled around with the Russians until the Canadian ports opened up, before we got around to doing anything. Consequently, we lost a goodly share of that market due to this situation and other factors.

It, also, comes at a time when the Australians, New Zealanders, and the Argentinians are putting their crop on the markets because they are harvesting their crops.

So it is a very competitive position because of the steady increase in our prices due to the addition of carrying charges. We are in a position where we cannot sell in the world market for cash. We are moving wheat now. There is no question about that, but you all know where we are moving it and how we are moving it. Ordinarily we give one-fifth or 20 percent of our wheat to India. This year, probably, 35 percent of our wheat will end up in India, and it is not being sold for dollars.

We can continue that kind of a disposal program, but this is about all we are going to have in the last 6 months of the year if we substantially increase this resale level.

Senator YOUNG of North Dakota. Will you yield there?

Mr. GRAHAM. Yes.

Senator YOUNG of North Dakota. Do you not think that sometime we are going to have to set up some guidelines for the Secretary to follow in the retailing of this wheat?

Mr. GRAHAM. Yes, sir.

Senator YOUNG of North Dakota. I pointed out a while ago that for an entire year the Secretary followed a policy of refusing to sell any Hard Red Spring wheat, and for 6 months any class of wheat. As a result, wheat, in my own hometown, sold for as high as \$2 a bushel. I sold mine for \$1.96 a bushel. I am not complaining, but you presently have this wide range between not selling at all or at 105 percent.

And I think that sometime Congress is going to have to set up some kind of guidelines.

Mr. GRAHAM. I am virtually in agreement with this general concept, Senator Young. I want to say, also, that I think another thing that we have got to cover, that makes a great deal more of an impact or could make more of an impact, is the concept of the strategic reserve, one that is set aside, so that the relief fund for the strategic reserve is not triggered by price, but rather by the reliability of the situation. It is perfectly possible that in an international situation it could develop when price could be very high, and yet our strategic reserves could be drained out because of the price demand in the world. Consequently we need a different trigger than that of prices. If we had an adequate strategic reserve at the present level we would almost eliminate this problem in wheat. I much prefer going in that direction, triggering that with national welfare, national protection of the country, and all of the various things that would come from a strategic reserve. We could place it in the hands of a competent commission of experts, representing various areas, including the military and all of the rest of them, and let them decide when it was necessary to draw on that reserve. We could keep that reserve out of the way. Then the depressing effect of the Commodity Credit Corporation stocks would largely be removed, and we could begin, I think, to stimulate world market prices on that basis. We simply take ourselves out of the business this way.

(The prepared statement of Harry L. Graham follows:)

Mr. Chairman and members of the committee, it was inevitable that because of inadequacies and shortcomings, our farm policy, which was based on a depression, salvaged by a war, and nourished in a postwar prosperity, would break down under the weight of its own inner contradictions. This occurred at the beginning of this decade when the economic and political pressures caused by the dead weight of 1,400 million bushels of wheat and 85 million tons of feed grains depressed the market, sent Government storage and holding costs skyrocketing, and caused abuse and scorn to be heaped upon the farm program by friend and foe alike.

The options available to alleviate this situation were neither numerous nor easy. President Eisenhower remarked that the cheapest way of disposing of the surplus was to dump it in the ocean, but that was inconceivable in a hungry world. Since there was no effective way of isolating domestic and international markets from the depressing effects of these surpluses, the only alternative was to reduce them in order to stabilize and improve prices and cut Government costs. There was no painless way to do this. Sacrifices were required by farmers, taxpayers—yes, and even warehousemen.

It fell to the lot of the 87th Congress, in which many of the members of this committee served with distinction, to develop an emergency program for feed grains. The National Grange, working in cooperation with the commodity groups representing this great industry, proposed the fundamentals of the legislation which became the feed grains program. The Congress, in its wisdom, further defined and delineated the program, adopted it, saw it signed into law by the President, and administered, we believe, wisely and well in the best interests of agriculture and the general welfare, by the Department of Agriculture.

In terms of producer participation, it certainly has proved to be a most popular program. It has met the major objectives of the legislation by maintaining farm income at the highest possible level under the circumstances, and reducing Government stocks and costs at the same time. Without this reduction in Government stocks, the savings on storage costs would not have been available for payments to farmers to stabilize farm income.

In 1964, Congress showed the stature and statesmanship which we have come to expect and passed legislation to prevent a disastrous collapse of the whole wheat production and marketing system. The 50 percent of parity level and the 105-percent release price were retained. This program was acceptable to the

farmers; it had more participation in 1965 than in 1964; it helped to reduce Government stocks; it improved our trade relationships with the rest of the world; it did not increase costs to the consumer, but it was short on farm income, and it presented some problems in terms of international trade.

The 1st session of the 89th Congress passed the omnibus farm bill of 1965, the most comprehensive farm legislation since 1938. The programs included cleared up some administrative problems, they improved the income of the producers, they strengthened our international trading position, they continued to reduce the cost of Government storage programs, and they strengthened and protected the family size farm.

It is no secret, however, that the direction of these programs has not been pleasing to those who are determined to oppose any kind of a program. It is also no secret that the programs to reduce Government costs, by reducing the Government storage, has met the strenuous opposition of those whose primary business is in the storage of grain. This kind of opposition came from warehousemen who mistakenly believed that the acquisition programs would never be abandoned and, consequently, gambled some of their money in the expansion of their storage facilities and lost on the gamble when Government stocks were reduced.

It is not stated in the proposals to increase the release price level for Commodity Credit Corporation stocks that this would be a way of reversing the trend toward emptying the bins and storage elevators that have been used for storage purposes in the past. The Commodity Credit Corporation owns bins with a capacity of about 965 million bushels, and these are at present about 50 percent full. However, there is no complaint from this source. The fact that commercial warehouses on December 31, 1964, were operating at only 36.37 percent of capacity; on March 31, 1965, at 31 percent of capacity; on September 31, 1965, at 28.11 per cent of capacity; and on December 31, 1965, at 26.41 percent of capacity, cannot be disregarded as a reason for a proposed change in our basic agricultural law, which would slow down, stop, and probably reverse the trend toward the reduction of Government stocks and, consequently, elevator space utilization.

Practically all of our society is aware of our surplus agricultural commodities; very little of it is aware of the surplus in storage facilities. The inevitable conflict results from the fact that the development and execution of programs to relieve either problem will automatically increase the problems of the other. It may, indeed, be necessary to develop programs to alleviate the difficulty faced by the warehouse companies, both privately and cooperatively owned. This, however, should be honestly labeled as a program to do just that, and should not be disguised as a part of a farm program.

The general attack on the release price level is on the assumption that if the release price were raised, the income of farmers would go up in proportion. Let us take a look at that assumption.

In the case of feed grains, the price has been at the loan rate or under, at the time of harvesting for many years. This is the time when the farmer who sells his corn for cash usually has to sell. The exception is the farmer with sufficient capital to hold the corn, not only in terms of the invested value of the corn, but also capital in terms of the delay in payment for the fixed and variable expenses of the farming operation. The only other group which would benefit from this would be the so-called grain trade, since this would allow for a greater fluctuation in the market price. Instead of a 7- to 10-cent fluctuation as at present, it would be about a 16- to 20-cent fluctuation.

We have been advised by the Department of Agriculture that the only way to cover the increased costs of this program, which would come from increased holdings in storage, would be to take it from the loan level. It is precisely at this level that the smaller farmer and family farmer are most helped by the present program, where a decline in the loan values would be felt most quickly, and where the results would be the most serious. Even at this level, the net effect would not be to increase the net income of most of the farmers.

The suggestion has been raised to increase the resale level on wheat and allow the present resale level on corn to remain at 105 percent. We would point out that the wheat and feed grains legislation was determined after lengthy consultation among the wheat and feed grains producing organizations. The relative equality of value of free wheat and the wheat that is not eligible for either domestic or export certificates and the value of feed grains, are fairly equal.

If the request for the increase to be applied to wheat were granted, this equality would be destroyed, making it impossible to attain the necessary adjustments in production which can be accomplished by the use of a substitution

clause. This action would, therefore, preclude the use of the substitution clause. In our judgment, the substitution clause is very much desirable.

We would also point out that in the case of international trade, if we were to start the loan level at \$1.25 and add carrying charges of  $1\frac{1}{2}$  cents per month for a maximum of 13 cents at the end of the marketing year, we would have a value of \$1.38 in terms of Government investment; 105 percent of \$1.25 plus 13 cents would, therefore, be \$1.45 per bushel. This is just about the price level for exports at the present time, and well within the International Wheat Agreement price level. It is a level that other exporting countries have shown a perfect willingness to use as a sales price for their offerings on the international market.

If the 115 percent feature were adopted, the release price in April would be \$1.38. If 25 cents per bushel were added for handling and delivery to dockside, even at present release price levels you would have a cost of \$1.50 on July 1 and \$1.63 by April 1, which would make our wheat noncompetitive or necessitate an undesirable Government subsidy. The amazing thing about this is that some of the people who talk so freely about free international trade would support a program which would increase the difficulty of using any Government stocks in international trade for dollars. This is the reason that even at the present time and with present price support and release levels, there is relatively little cash export during the final months of the year.

The whole argument might be likened to the proverbial dog chasing his tail. If the supply is greater than the demand, it is relatively unimportant, so far as the farmer is concerned, where the resale price is placed, because it will not add to his income. The only time there will be an increase in the farmer's income is when the supply is less than the demand. This is also the only time when Government stocks can be reduced. If we adopt programs making it impossible to reduce the supply, or damaging the existing programs that are succeeding in doing this, we only delay into perpetuity the time when we can have some competitive influences returning to the market.

It is, therefore, the position of the National Grange that farm income can be maintained at its present level only by the continuation of the present program to reduce Government stocks and bring them into some relationship with the demands of the market and the requirements of our relief programs. There does, however, in our judgment, seem to be one acceptable alternative to this proposal, and that is the isolating of these commodities from the market in the quantity that is necessary for strategic reserves of food. We would, therefore, urge this committee to seriously consider the adoption of a program to establish a national food reserve in the interest of the general welfare and as an integral part of our total concept of emergency and defense planning. If a 1-year supply for our domestic and present export markets were set aside as a reserve which could not be moved onto the market—except under certain specified circumstances as Congress might determine—then the marketable supplies, which are currently being held by the Commodity Credit Corporation, would be reduced and the depressing effect of these surplus commodities on the market would be substantially less. A wise and judicious surplus disposal program at that time would have the possible effect of further increasing income.

It should, however, be pointed out that the concept of increasing the market price substantially while, at the same time, we are using the domestic wheat certificates, would necessitate the adjustment in the value of the certificates so they would not be permitted to exceed by any substantial amount 100 percent of parity. It is extremely important that we give our consumer groups the assurance that they are not going to be asked to pay through a certificate program an amount sufficient to bring the domestically consumed wheat, which is used for human food purposes, up to 100 percent of parity and, at the same time, pursue policies to substantially increase the price of this wheat in the marketplace.

Furthermore, it should be pointed out that the Secretary does have some discretionary authority to increase the resale price when all pertinent facts indicate it is desirable. In fact, he has done just that in the case of wheat at this time. There is nothing to indicate that the Secretary is unwilling to take advantage of opportunities to improve farm income when the action is not confronted with other overriding considerations.

The Grange believes that this administrative flexibility is both desirable and necessary. The proposed legislation would, in our judgment, by fixing at the proposed rate the minimum percentage of the loan level, destroy the basis for the administrative action which has until now been wisely used to substantially eliminate the market depressing effects to previous purchase and loan programs.

In summary, we would say to the committee that in our considered judgment,

based on the study of the economic facts involved, the increasing of the release price would serve no useful purpose to the producers of agricultural commodities. On the contrary, it would imperil our present programs to reduce Government stocks and Government holdings; it would seriously interfere with our international trade; it would not increase net farm income but could, in fact, jeopardize the present levels by forcing a reduction in support levels. It would add greater burdens to those who feed as well as produce agricultural commodities; it would interject a factor of instability into the market which does not exist at present; and it would place an umbrella over the noncomplier which he has not earned and which would be at the expense of the producer who complies with the programs.

The Grange, therefore, urges this committee to return the present minimum resale levels which are used to determine the sale price of Commodity Credit Corporation stocks.

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

Mr. GRAHAM. Thank you.

The CHAIRMAN. We will next hear from Mr. Marvin L. McLain, representing the American Farm Bureau Federation. We will be glad to hear from you now.

#### STATEMENT OF MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. McLAIN. Mr. Chairman and members of the committee, we appreciate the opportunity to present our views with regard to S. 2785, which would raise the resale price of Commodity Credit Corporation stocks of wheat to not less than 115 percent of the current support price, plus reasonable carrying charges.

In the context of the current wheat program, the "current support price" means the support price for noncertificate wheat. Since this is now \$1.25 per bushel, the enactment of S. 2785 would raise the minimum CCC release price to \$1.44 per bushel, plus carrying charges on a national average basis.

It is our observation that the current USDA policy of releasing CCC stocks of both wheat and feed grains, in order to hold down market prices to farmers, is contrary to what farmers want and is actually preventing the market price system from performing its function. The dumping of CCC stocks of feed grains in the first years of the feed grain program led directly to a disastrous situation in the livestock industry in 1963 and 1964. We have a chart, which shows that, which is attached to the paper.

As a consequence of a prolonged period of low prices, farmers made an unusually sharp cut in livestock production in 1965. Thus, the effect of the CCC's dumping policy has been to seriously aggravate the normal livestock price and production cycles. The current policy of dumping both wheat and feed grains could well lead to more trouble for the livestock industry in a year or so. Farm Bureau firmly believes that the CCC's stocks of wheat, feed grains, or any other commodity it holds, should not be used to beat down farm prices in order to prevent the market price from working on a supply and demand basis.

The members of this committee are familiar with the policy of Farm Bureau with regard to the Food and Agriculture Act of 1965. We vigorously opposed its enactment into law. We do not believe that farmers want, nor can they longer expect, to get most of their net farm income in checks from the U.S. Treasury. The USDA is currently estimating that payments direct to farmers from the Treasury will

amount to about \$3.4 billion in 1966. This is approximately 24 percent of the realized net farm income of all U.S. farmers for 1965, which you know this last year was \$14 billion. Farmers know and we know this cannot last.

The dumping of CCC stocks, in order to hold down market prices to farmers, is part and parcel of the compensatory payment approach. Stocks are dumped to force compliance with the program, and also to prevent increases in consumer prices. This will soon create an artificially low market price image in the eyes of consumers, to the ultimate detriment of all farmers.

It is absurd for the Government to use its stocks to depress market prices and thereby force farmers to depend on the direct payments from the Treasury for a large part of their income. In many cases today the check the farmer receives directly from the Government is more than his realized net farm income. This compensatory payment program will ultimately collapse and farmers will be caught with artificially low prices caused by the dumping of CCC stocks.

It should not be assumed that the adverse effects of the CCC's dumping policies are confined to noncooperators as long as the present program remains in effect. In announcing its current sales policy for high-quality bread wheat on November 23, 1965, the USDA "noted that the 1965 wheat crop is somewhat lower than average in protein content," and that, "as a result, higher quality bread wheat is attracting abnormally high market premiums which could be reflected in higher flour and bread prices." And then we have an attachment that shows the prices for the last several months, showing what happened at the time of the two announcements.

In other words, it apparently is the policy of the USDA to make certain that neither compliers nor noncompliers receive a higher price for the smaller quantity of high-protein wheat products in 1965.

Incidentally, the Department's concern with regard to the possible effect of higher wheat prices on flour and bread prices is somewhat inconsistent with its previous arguments that an increase of 50 cents per bushel in the amount charged processors for wheat certificates would not be an imposition on consumers.

Farm Bureau has long advocated an increase in the release price of CCC stocks of both wheat and feed grains to 125 percent of the applicable loan rate. However, it must be made clear that this recommendation was made in the context of our other recommendations for farm program changes. In the case of wheat these changes had as their salient parts the elimination of acreage allotments and marketing certificates; the establishment of support prices based on the previous 3-year average world price of wheat; and the enactment of an effective cropland-retirement program. We simply want to point out that we are now dealing with the release price in an entirely different setting and under different circumstances than would have been applicable had our recommendations been adopted as proposed in S. 891 last year.

This is not to indicate any lack of eagerness on our part for action to prevent CCC stocks from being indiscriminately dumped to wreck market prices. We merely wish to make it clear that the ills created by the implementation of the current law will not be cured by the enactment of S. 2785. We would support legislation to increase the

release price to 125 percent of the loan level for both wheat and feed grains but we would hope that the committee would recognize the need to use this occasion to start moving in a direction that will strengthen the market price system instead of continuing to tear this system down with a dangerous compensatory payment program and CCC dumping practices which eternally depress producers' prices.

We are attaching for the information of the committee tables showing the weekly sales of wheat for both domestic use and export. In looking at the cumulative figures one might conclude that the amounts involved are negligible and perhaps are less than sales in similar periods 2 or 3 years ago. However, we would like to point out that with the depressed wheat prices currently in effect, due to the operations of the certificate plan, any dumping of CCC stocks has a more devastating effect on market prices than was true when the loan level was much higher. The threat to dump CCC wheat at a low price is all that is necessary to depress wheat prices. The USDA has made this threat in an effort to keep wheat cheap in order to avoid increases in bread prices and, of course, the market price reacted downward instantly.

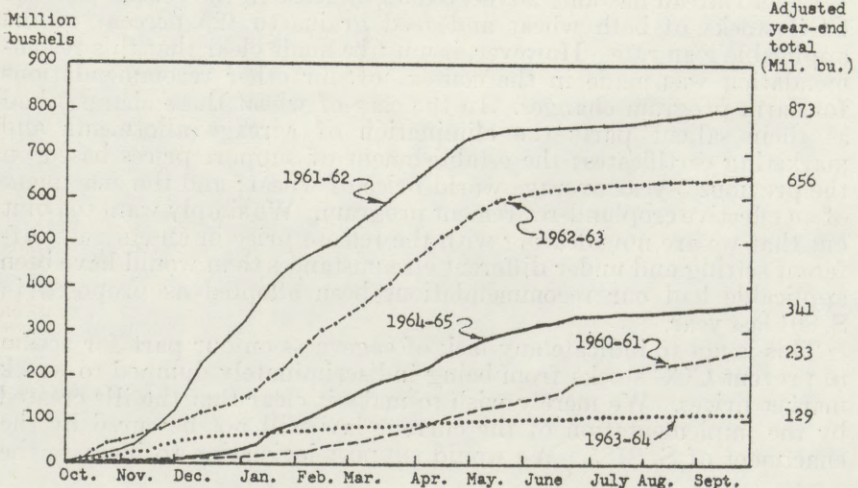
In evaluating the present release policy, it should be remembered that the formula of setting release prices at not less than 105 percent of the loan rate was adopted at a time when loan rates were 90 percent of parity. Under current law, as it is now administered, the loan rate is less than 50 percent of parity. If the loan rate on wheat were 90 percent of parity the minimum release price based on 105 percent of the loan rate would be around \$2.40. Under the present program 105 percent of the loan rate is only \$1.31, and 125 percent is only \$1.56.

We do not think it at all unreasonable to ask that the Government be prohibited from using its stocks to depress the price of wheat below \$1.56 per bushel.

We appreciate this opportunity to present our views on this very important matter.

(The tables and charts referred to follow:)

Cumulative Weekly CCC Sales of Corn for Domestic Use,  
Marketing Years, 1960-61:



*Closing prices for cash wheat*

[Dollars per bushel]

Period	No. 1 Hard Winter, ordinary protein, at Kansas City	No. 1 Dark Northern Spring, ordinary protein, at Minneapolis	No. 2 Soft Red Winter, at Chicago	No. 1 Hard Winter (13 percent protein) at Kansas City	No. 1 Dark Northern Spring, (15 percent protein) at Minneapolis
<i>1965</i>					
Oct. 7	1.57-1.61	1.71	1.57	1.72-1.82	1.79-1.82
Oct. 14	1.56-1.59	1.73	1.55	1.71-1.81	1.81-1.84
Oct. 21	1.59-1.61	1.74	1.61-1.62	1.73-1.83	1.82-1.85
Oct. 28	1.61-1.63	1.76	1.63	1.75-1.85	1.85-1.88
Nov. 4	1.63-1.65	1.75	1.66	1.76-1.85	1.85-1.88
Nov. 10	1.61-1.63	1.72	1.66	1.74-1.83	1.83-1.86
Nov. 18	1.58-1.61	1.77	1.66	1.72-1.81	1.88-1.91
Nov. 24 <sup>1</sup>	1.57-1.59	1.69	1.65-1.67	1.70-1.79	1.80-1.83
Dec. 2	1.59-1.62	1.76	1.67	1.72-1.81	1.88-1.91
Dec. 9	1.60-1.63	1.72	1.70	1.73-1.82	1.83-1.86
Dec. 16 <sup>2</sup>	1.58-1.61	1.72	1.67	1.71-1.79	1.83-1.86
Dec. 23	1.61-1.65	1.74	1.70	1.73-1.79	1.85-1.88
Dec. 29	1.60-1.63	1.73	1.69-1.70	1.70-1.74	1.85-1.87
<i>1966</i>					
Jan. 6	1.63-1.66	1.72	1.71	1.72-1.76	1.84-1.85
Jan. 13	1.63-1.65	1.75	1.72	1.69-1.73	1.87-1.88
Jan. 20	1.62-1.65	1.76	1.71-1.72	1.68-1.72	1.88-1.89

<sup>1</sup>The USDA announced on Nov. 23, 1965, that it would sell "Hard Red Spring wheat of 15-percent protein and above and Hard Red Winter wheat of 13 percent and above" \* \* \* at market prices but not below 108 percent of the current support price plus carrying charges." (From Nov. 23, 1965, release.)

<sup>2</sup>The Department announced on Dec. 15, 1965, that it was offering all qualities of wheat for sale for unrestricted use at the higher of market prices or 108 percent of the support price plus carrying charges.

*Weekly sales of wheat by Commodity Credit Corporation for domestic use and export, marketing year 1965-66*

[In thousands of bushels]

Week ending—	Domestic use		Export		Total, cumulative
	Weekly sales	Cumulative	Weekly sales	Cumulative	
July 2	109	109	7,653	7,653	7,762
July 9	105	214	6,081	13,734	13,948
July 16	113	326	7,039	20,772	21,098
July 23	127	453	10,082	30,855	31,308
July 30	69	523	2,579	33,433	33,956
Aug. 6	108	631	8,564	41,997	42,628
Aug. 13	154	785	12,191	54,188	54,973
Aug. 20	175	960	2,679	56,867	57,827
Aug. 27	229	1,189	18,655	75,521	76,710
Sept. 3	250	1,435	5,729	81,250	82,685
Sept. 10	354	1,789	6,772	88,022	89,811
Sept. 17	269	2,058	4,322	92,344	94,402
Sept. 24	213	2,272	4,128	96,472	98,744
Oct. 1	106	2,377	6,966	103,438	105,815
Oct. 8	128	2,505	3,635	107,073	109,578
Oct. 15	111	2,616	3,878	110,951	113,567
Oct. 22	76	2,692	1,509	112,460	115,152
Oct. 29	133	2,825	7,136	119,596	122,421
Nov. 5	83	2,908	7,921	127,517	130,425
Nov. 12	93	3,001	460	127,977	130,978
Nov. 19	38	3,039	2,823	130,800	133,839
Nov. 26	31	3,070	3,737	134,537	137,607
Dec. 3	126	3,196	5,355	139,892	143,088
Dec. 10	55	3,251	8,218	148,110	151,361
Dec. 17	509	3,761	14,833	162,042	165,803
Dec. 24	359	4,120	16,108	178,150	182,270
Dec. 31	693	4,813	4,053	182,203	187,016
Jan. 7	421	5,234	14,462	196,665	201,899
Jan. 14	354	5,588	5,767	202,432	208,020

Note.—The weekly sales figures are preliminary and therefore do not always add to the cumulative totals.  
Source: Grain Market News Weekly Summary and Statistics, USDA.

## MINIMUM RESALE PRICE OF CCC WHEAT

Weekly sales of wheat by Commodity Credit Corporation for domestic use and export, marketing year 1964-65

[In thousands of bushels]

Week ending—	Domestic use		Export		Total, cumulative
	Weekly sales	Cumulative	Weekly sales	Cumulative	
July 3.....	7,363	7,363	853	853	8,216
July 10.....	5,658	12,223	923	2,574	14,797
July 17.....	2,084	14,307	937	3,511	17,818
July 24.....	1,479	15,786	499	4,010	19,796
July 31.....	1,608	17,394	4,938	8,948	26,342
Aug. 7.....	471	17,866	3,896	12,844	30,710
Aug. 14.....	1,672	19,538	1,596	14,440	33,978
Aug. 21.....	1,423	20,961	14,090	28,530	49,491
Aug. 28.....	4,466	25,428	30,497	59,027	84,454
Sept. 4.....	( <sup>1</sup> )	27,190	( <sup>1</sup> )	63,109	90,299
Sept. 11.....	2,804	29,994	1,230	64,339	94,333
Sept. 18.....	5,092	35,086	4,907	69,247	104,333
Sept. 25.....	5,165	40,251	21,453	90,700	130,951
Oct. 2.....	3,776	44,027	1,456	92,156	136,183
Oct. 9.....	1,580	45,608	7,236	99,392	145,000
Oct. 16.....	1,204	46,811	17,064	116,456	163,267
Oct. 23.....	628	47,439	7,446	124,177	171,616
Oct. 30.....	303	47,740	250	124,427	172,167
Nov. 6.....	272	48,012	2,837	127,263	175,276
Nov. 13.....	503	48,515	37	127,301	175,816
Nov. 20.....	187	48,702	895	128,195	176,897
Nov. 27.....	177	48,879	955	129,150	178,029
Dec. 4.....	221	49,100	9,141	138,291	187,391
Dec. 11.....	271	49,371	689	138,980	188,351
Dec. 18.....	410	49,781	2,525	141,505	191,286
Dec. 24.....	288	50,069	1,144	142,649	192,718
Dec. 31.....	266	50,335	891	143,540	193,875
Jan. 8.....	200	50,534	6,907	150,448	200,982
Jan. 15.....	181	50,715	3,223	153,671	204,386
Jan. 22.....	77	50,792	6,201	159,872	210,664
Jan. 29.....	138	50,931	14,167	174,039	224,970
Feb. 5.....	97	51,027	2,401	176,440	227,467
Feb. 12.....	121	51,148	744	177,184	228,332
Feb. 19.....	78	51,226	244	177,428	228,654
Feb. 26.....	125	51,351	526	177,954	229,305
Mar. 5.....	135	51,487	413	178,367	229,854
Mar. 12.....	151	51,638	2,571	180,938	232,576
Mar. 19.....	72	51,710	435	181,373	233,083
Mar. 26.....	178	51,888	3,209	184,582	236,470
Apr. 2.....	207	52,094	1,284	185,866	237,960
Apr. 9.....	146	52,241	3,992	189,858	242,099
Apr. 16.....	224	52,465	3,108	192,966	245,431
Apr. 23.....	411	52,875	2,539	195,505	248,380
Apr. 30.....	387	53,262	1,493	196,998	250,260
May 7.....	500	53,762	1,641	198,639	252,401
May 14.....	550	54,312	3,620	202,259	256,571
May 21.....	755	55,067	6,206	208,465	263,532
May 28.....	528	55,595	7,844	216,309	271,904
June 4.....	280	55,875	7,083	223,392	279,267
June 11.....	218	56,093	19,049	242,442	298,535
June 18.....	206	56,299	4,142	246,583	302,882
June 25.....	177	56,476	7,697	254,281	310,757

<sup>1</sup> Not available.

## Weekly sales of wheat by Commodity Credit Corporation for domestic use and export, marketing year 1963-64

[In thousands of bushels]

Week ending—	Domestic use		Export		Total, cumulative
	Weekly sales	Cumulative	Weekly sales	Cumulative	
July 5.....	1,913	1,913	1,803	1,803	3,716
July 12.....	2,882	4,795	3,680	5,482	10,247
July 19.....	4,844	9,639	1,239	6,721	16,360
July 26.....	1,420	11,059	3,436	10,157	21,216
Aug. 2.....	1,146	12,205	3,594	13,751	25,956
Aug. 9.....	675	12,881	5,306	19,057	31,938
Aug. 16.....	251	13,131	886	19,943	33,074
Aug. 23.....	327	13,458	2,441	22,384	35,842
Aug. 30.....	931	14,389	834	23,218	37,607
Sept. 6.....	172	14,561	1,972	25,190	39,751
Sept. 13.....	96	14,658	10,822	36,011	50,669
Sept. 20.....	3,908	18,566	11,136	47,147	65,713
Sept. 27.....	6,516	25,097	6,732	53,879	78,976
Oct. 4.....	6,886	32,164	4,613	58,492	90,656
Oct. 11.....	6,227	38,390	18,800	77,292	115,682
Oct. 18.....	2,321	40,707	2,874	80,166	120,873
Oct. 25.....	741	41,448	867	81,033	122,481
Nov. 1.....	2,846	44,293	9,144	90,177	134,470
Nov. 8.....	1,269	45,563	2,455	92,632	138,195
Nov. 15.....	721	46,284	997	93,629	139,913
Nov. 22.....	823	47,106	3,442	97,072	144,178
Nov. 29.....	1,662	48,769	380	97,452	146,221
Dec. 6.....	1,120	49,889	1,645	99,097	148,986
Dec. 13.....	3,087	52,976	2,477	101,573	154,549
Dec. 20.....	1,799	54,775	5,171	106,745	161,520
Dec. 27.....	799	55,574	3,277	110,022	165,596
Jan. 3.....	1,219	56,793	21,349	131,371	188,164
Jan. 10.....	1,043	57,836	7,265	138,636	196,472
Jan. 17.....	640	58,475	6,178	144,814	203,289
Jan. 24.....	261	58,736	9,339	154,153	212,889
Jan. 31.....	411	59,147	14,779	168,932	228,079
Feb. 7.....	222	59,370	10,474	179,406	238,776
Feb. 14.....	365	59,734	4,197	183,603	243,337
Feb. 21.....	588	60,322	3,719	187,321	247,643
Feb. 28.....	672	60,993	4,219	191,540	252,533
Mar. 6.....	381	61,375	8,025	199,565	260,940
Mar. 13.....	432	61,807	11,583	211,148	272,955
Mar. 20.....	619	62,426	3,882	215,031	277,457
Mar. 27.....	267	62,694	2,383	217,413	280,107
Apr. 3.....	397	63,091	981	218,394	281,485
Apr. 10.....	1,048	64,139	1,752	220,146	284,285
Apr. 17.....	2,695	66,834	2,788	222,934	289,768
Apr. 24.....	2,341	69,176	1,521	224,455	293,631
May 1.....	2,520	71,695	4,964	229,419	301,114
May 8.....	914	72,609	7,077	236,496	309,105
May 15.....	1,181	73,789	4,901	241,397	315,186
May 22.....	631	74,420	7,029	248,426	322,846
May 29.....	1,026	75,447	2,152	250,578	326,025
June 5.....	806	76,252	3,764	254,342	330,594
June 12.....	731	76,983	3,151	257,493	334,476
June 19.....	531	77,514	1,712	259,205	336,719
June 26.....	459	77,973	4,493	263,698	341,617

## MINIMUM RESALE PRICE OF CCC WHEAT

Weekly sales of wheat by Commodity Credit Corporation for domestic use and export, marketing year 1962-63

[In thousands of bushels]

Week ending—	Domestic use		Export		Total, cumulative
	Weekly sales	Cumulative	Weekly sales	Cumulative	
July 6.....	618	618	1,681	1,681	2,299
July 13.....	159	777	1,821	3,502	4,279
July 20.....	148	925	1,381	4,883	5,808
July 27.....	195	1,120	2,141	7,024	8,144
Aug. 3.....	188	1,308	1,116	8,140	9,448
Aug. 10.....	120	1,428	4,334	12,475	13,903
Aug. 17.....	51	1,479	6,731	19,206	20,685
Aug. 24.....	329	1,809	1,920	21,140	22,949
Aug. 31.....	78	1,887	-----	24,981	26,868
Sept. 7.....	63	1,950	1,336	26,310	28,260
Sept. 14.....	97	2,047	9,720	36,239	38,286
Sept. 21.....	224	2,271	874	37,113	39,384
Sept. 28.....	110	2,381	1,388	38,518	40,899
Oct. 5.....	144	2,525	232	38,750	41,275
Oct. 12.....	106	2,631	560	39,310	41,941
Oct. 19.....	91	2,723	473	39,783	42,506
Oct. 26.....	25	2,748	1,881	41,664	44,412
Nov. 2.....	8	2,756	2,073	43,737	46,493
Nov. 9.....	325	2,826	12,166	44,122	46,948
Nov. 16.....	256	2,905	-----	47,120	50,025
Nov. 23.....	36	2,941	2,328	49,448	52,389
Nov. 30.....	129	3,070	2,152	51,600	54,670
Dec. 7.....	195	3,265	8,753	60,353	63,618
Dec. 14.....	252	3,517	4,952	65,305	68,822
Dec. 21.....	174	3,691	2,448	67,753	71,444
Dec. 28.....	153	3,844	-----	(1)	(1)
Jan. 4.....	80	3,923	9,960	77,243	81,166
Jan. 11.....	254	4,177	3,617	80,860	85,037
Jan. 18.....	203	4,380	-----	82,441	86,821
Jan. 25.....	450	4,830	1,261	83,703	88,533
Feb. 1.....	624	5,454	6,745	90,447	95,901
Feb. 8.....	300	5,754	4,271	94,719	100,473
Feb. 15.....	67	5,821	3,092	97,811	103,632
Feb. 22.....	106	6,104	4,618	102,428	108,532
Mar. 1.....	107	6,211	5,394	107,802	114,013
Mar. 8.....	1,244	7,455	2,717	110,520	117,975
Mar. 15.....	625	8,080	11,953	122,473	130,553
Mar. 22.....	221	8,301	2,056	124,529	132,830
Mar. 29.....	312	8,613	6,152	130,681	139,294
Apr. 5.....	899	9,512	11,358	142,039	151,551
Apr. 12.....	4,230	13,742	5,141	147,200	160,942
Apr. 19.....	904	14,646	8,122	155,322	169,968
Apr. 26.....	460	15,106	3,390	158,712	173,818
May 3.....	605	15,711	215	158,926	174,637
May 10.....	559	16,269	2,642	161,568	177,837
May 17.....	848	17,117	706	162,274	179,391
May 24.....	678	17,796	-----	167,131	184,927
May 31.....	281	18,076	3,200	170,331	188,407
June 7.....	365	18,441	3,871	174,202	192,643
June 14.....	500	18,941	3,296	177,498	196,439
June 21.....	261	19,202	5,383	182,881	202,083
June 28.....	307	19,509	5,392	188,273	207,782

1 Not available.

MINIMUM RESALE PRICE OF CCC WHEAT

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Weekly sales of wheat by Commodity Credit Corporation for domestic use and export, marketing year 1961-62

[In thousands of bushels]

Week ending—	Domestic use		Export		Total, cumulative
	Weekly sales	Cumulative	Weekly sales	Cumulative	
July 7	4,407	4,407	10,703	10,703	15,110
July 14	4,554	8,960	5,218	15,921	24,881
July 21	3,500	12,460	3,042	18,963	31,423
July 28	5,058	17,518	3,702	22,665	40,183
Aug. 4	2,025	19,543	1,587	24,267	43,810
Aug. 11	1,972	21,515	3,350	27,617	49,132
Aug. 18	1,014	22,529	1,676	29,376	51,905
Aug. 25	1,279	23,808	2,436	31,821	55,629
Sept. 1	748	24,557	4,031	35,852	60,409
Sept. 8	539	25,095	781	36,633	61,728
Sept. 15	326	25,421	942	37,596	63,017
Sept. 22	1,090	26,511	3,229	40,841	67,352
Sept. 29	477	26,988	1,196	42,036	69,024
Oct. 6	507	27,495	1,837	43,921	71,416
Oct. 13	700	28,195	1,826	45,850	74,045
Oct. 20	659	28,854	5,110	50,965	79,819
Oct. 27	795	29,649	3,997	54,970	84,619
Nov. 3	568	30,217	6,244	61,214	91,431
Nov. 10	339	30,556	5,491	66,705	97,261
Nov. 17	407	30,964	6,811	73,534	104,498
Nov. 24	230	31,194	1,088	74,622	105,816
Dec. 1	354	31,548	7,473	82,096	113,644
Dec. 8	227	31,775	1,709	83,804	115,579
Dec. 15	150	31,924	686	84,495	116,419
Dec. 22	627	32,551	36	84,544	117,095
Dec. 29	45	32,596	1,704	86,253	118,849
Jan. 5	135	32,730	2,599	88,839	121,569
Jan. 12	70	32,801	6,624	95,474	128,275
Jan. 19	106	32,906	2,022	97,496	130,402
Jan. 26	401	33,307	3,170	100,665	133,972
Feb. 2	267	33,575	3,529	104,189	137,764
Feb. 9	296	33,870	6,962	111,167	145,037
Feb. 16	216	34,086	7,521	118,688	152,774
Feb. 23	249	34,335	6,131	124,819	159,154
Mar. 2	301	34,636	3,560	128,380	163,016
Mar. 9	223	34,859	1,589	129,968	164,827
Mar. 16	1,210	36,069	1,179	131,147	167,216
Mar. 23	197	36,265	2,129	133,291	169,556
Mar. 30	276	36,542	1,770	135,063	171,605
Apr. 6	2,151	38,692	12,973	148,035	186,727
Apr. 13	1,049	39,741	240	148,266	188,007
Apr. 20	1,129	40,870	2,515	150,792	191,662
Apr. 27	807	41,678	2,533	153,322	195,010
May 4	2,477	44,155	846	154,178	198,333
May 11	2,034	46,188	4,640	158,817	205,005
May 18	1,441	47,630	9,598	168,415	216,045
May 25	1,754	49,384	-----	171,370	220,754
June 1	2,719	52,097	1,711	173,085	225,182
June 8	5,981	58,078	3,304	176,402	234,480
June 15	7,641	65,719	829	177,250	242,969
June 22	4,434	69,582	1,998	179,252	248,834
June 29	3,411	72,993	-----	181,645	254,638

Weekly sales of wheat by Commodity Credit Corporation for domestic use and export, marketing year 1960-61

[In thousands of bushels]

Week ending—	Domestic use, cumulative	Export, cumulative	Total, cumulative
July 8	261	6,869	7,130
July 15	673	11,584	12,257
July 22	871	15,447	16,318
July 29	1,161	16,480	17,641
Aug. 5	1,458	18,225	19,683
Aug. 12	2,318	21,789	24,107
Aug. 19	2,418	24,097	26,515
Aug. 26	2,668	27,408	30,076
Sept. 2	2,771	29,532	32,303
Sept. 9	2,894	30,159	33,053
Sept. 16	3,177	32,362	35,539
Sept. 23	3,379	33,753	37,132
Sept. 30	3,662	35,534	39,196
Oct. 7	3,900	43,054	46,954
Oct. 14	4,079	44,619	48,698
Oct. 21	4,138	47,288	51,426
Oct. 28	4,232	49,976	54,208
Nov. 4	4,300	57,438	61,738
Nov. 11	4,379	61,467	65,846
Nov. 18	4,439	62,218	66,657
Nov. 25	4,527	63,540	68,067
Dec. 2	4,764	66,697	71,461
Dec. 8	4,859	68,335	73,194
Dec. 16	4,906	73,360	78,266
Dec. 23	5,114	77,281	82,395
Dec. 30	5,197	80,568	85,765
Jan. 6	5,406	84,131	89,537
Jan. 13	5,537	87,101	92,638
Jan. 20	5,758	90,877	96,635
Jan. 27	7,739	97,444	105,183
Feb. 3	8,349	102,011	110,360
Feb. 10	9,016	111,558	120,574
Feb. 17	9,313	112,242	121,555
Feb. 24	9,455	118,479	127,934
Mar. 3	9,697	121,655	131,352
Mar. 10	10,225	128,249	138,474
Mar. 17	10,588	131,449	142,037
Mar. 24	10,874	133,954	144,828
Mar. 31	11,052	136,541	147,593
Apr. 7	11,220	137,998	149,218
Apr. 14	11,397	139,802	151,199
Apr. 21	11,462	142,237	153,699
Apr. 28	11,648	145,846	157,494
May 5	11,926	150,272	162,198
May 12	12,405	162,055	174,460
May 19	12,811	170,925	183,736
May 26	13,140	174,705	187,845
June 2	13,393	178,365	191,758
June 9	13,601	185,274	198,875
June 16	13,756	193,609	207,365
June 23	14,998	199,285	214,283
June 30	19,041	206,970	226,011

The CHAIRMAN. Thank you very much. Are there any questions?  
 Senator YOUNG of North Dakota. None.

The CHAIRMAN. Thank you very much for your statement.

Mr. McLAIN. Thank you.

The CHAIRMAN. Our next witness is Mr. George Odegaard. Has he come in yet?

Senator YOUNG of North Dakota. He is still in my office.

The CHAIRMAN. Very well, we will next hear then from Mr. Joseph B. Gregg of the Kansas City Board of Trade.

**STATEMENT OF JOSEPH B. GREGG, BOARD OF TRADE OF KANSAS CITY, MO.**

Mr. GREGG. Mr. Chairman and members of the committee, my name is Joseph B. Gregg, and I appear in behalf of the Board of Trade of Kansas City, Mo., to respectfully submit the views of our association on the important subject of Commodity Credit sellout price.

On February 4, 1965, President Johnson's message to Congress relating to our agricultural economy expressed the following points:

Our objective must be for the farmer to get improved income out of the marketplace with less cost to the Government.

To so utilize Commodity Credit Corporation as to make the free market system work more effectively for the farmer.

We must encourage the private segment of our economy to carry its own inventories bought from the farmers rather than depending on the Government as a source of supply.

We must urge the private sector to perform as many services as possible now performed by Government agencies.

We could not agree more with the principles set forth in the President's message and stand ready and able to perform the services referred to, carry the inventories needed, and maintain an efficient marketing system for the benefit of the producer. In so doing, the return to the farmer would be improved, which is one of the President's prime objectives.

In order to permit the market to function as it should by letting the law of supply and demand establish the prices for agricultural commodities, there cannot be artificial ceilings so low as to render ineffective the influence of the demand factor. At the present time, the established markets are laboring under a price ceiling system maintained by Commodity Credit Corporation, which not only is unduly low but fluctuates at will. We refer to CCC's resale program when sales are made at 105 percent of the loan rate plus carrying charges, which is so low as to limit price movements to the detriment of the producer and the private segment of our agricultural economy to which the President referred. Many instances could be cited where farm prices were on the rise in response to a natural economic demand but stopped dead by a CCC announcement that a sellout of millions of bushels of Government stocks would be made immediately. These announcements are issued without advance notice and establish a wall through which the normal market price cannot penetrate.

This is not to say that the U.S. Department of Agriculture should not have any opportunity to dispose of its stocks under any system, but it does suggest that the ceiling at which their sellout program begins to operate should not be so low as to curtail the natural movement of prices. In our opinion, a sellout program based on 115 percent of the loan rate, plus charges, is far more realistic and would give the private segment of our economy an opportunity to perform as many services as possible and to improve the producer's income materially. Further, in suggesting 115 percent in order to permit the markets to function in a normal manner, it still does not preclude ex parte consideration of a modification sellout percentage should a crisis or a national emergency arise. Special consideration can be given to those situations as they come into being, but in times when they are not present, the 115 percent sellout to which we refer will give

the markets an opportunity "to make the free market system work more effectively for the farmer."

We question whether or not it was the intent of Congress to establish a minimum sellout price for the purpose of price control. When Congress wrote the Commodity Credit Charter in 1948, that agency was charged with "stabilizing, supporting, and protecting the farmer's income and price." This, we believe was done for the purpose of placing a floor under which the farmer would not have to dispose of his products and not for the purpose of placing a low ceiling above which the price of commodities could not exceed. In the last referendum, farmers gave convincing evidence by their vote that they did not want mandatory farm controls, yet when the Secretary of Agriculture was questioned last year before the House Agriculture Committee pertaining to a large sale of Commodity Credit stocks of corn, he said:

We purposely sold, in order to move our prices down far enough so that they would be away below the support level, the loan level, so that we could thereby get compliance. That was the whole intent and purpose and thrust of the program.

Senator YOUNG of North Dakota. Would you yield at that point?

Mr. GREGG. Yes.

Senator YOUNG of North Dakota. Do you know of any previous incidents where the Commodity Credit Corporation sold wheat or feed grains for the stated purpose of lowering cash prices?

Mr. GREGG. Well, I never know what their intent is, sir, really, when they make these sales.

Senator YOUNG of North Dakota. Do you know of any time when they stated their purpose was to lower cash prices?

Mr. GREGG. I know only these times that I recall that I have seen and these instances.

Senator YOUNG of North Dakota. I thought that being in the grain trade that you would be familiar with former acts of the Commodity Credit Corporation.

Mr. GREGG. I am not familiar with the statements made by the Secretary, and I would not want to quote him if I had not exactly read them.

The CHAIRMAN. How would this change affect the market in the light of that when the U.S. prices are way above world prices today?

Mr. GREGG. Well, Senator, I think that what we are saying here is that actually, at harvesttime the market cannot go up more than 7 cents above the support price before the Commodity Credit Corporation stocks become available. Now it is true that they have been operating on 108 percent, instead of 105 percent, but no one knows today whether that is going to change down to 105 percent again or whether it is going up to 110 percent. Markets cannot operate on speculation of what a Government agency might do with reference to their sellout of their stocks.

The CHAIRMAN. The traders do operate on speculation, do they not?

Mr. GREGG. Yes, the market—we do.

Senator YOUNG of North Dakota. Do you have a shortage of box-cars?

Mr. GREGG. Yes.

Senator YOUNG of North Dakota. Has this acted to hold up the prices higher than they would otherwise have been?

Mr. GREGG. Oh, yes. There is a great deal of wheat that is in the country that should be shipped, and wants to be shipped, and cannot be shipped.

Senator YOUNG of North Dakota. Commodity Credit Corporation loading orders cannot be filled because of the boxcar shortage?

Mr. GREGG. Yes, sir.

This to us would be making a voluntary program mandatory by sellout policies of the Commodity Credit Corporation, but we certainly do not feel that this was the original intent of Congress. The present law only states that the Commodity Credit Corporation may not sell their stock of wheat at less than 105 percent of the support price, plus charges. This figure of 105 percent of the support price, plus charges. This figure of 105 percent of the support rate for wheat would mean that their sellout price could be as low as 7 cents above the support level, which certainly allows very little increase in the price paid to the producer.

Once again, I refer to President Johnson's message of February 4, 1965, as listed on page 1 of this testimony. I have stated we could not agree more with the principles set forth in this message. We all know that if the industry is to carry these stocks that they purchased from the farmer, financing must be obtained at very low rates of interest from the banking institutions. This is now done but only possible because of the existence of our free markets furnished by the commodity exchanges and because of the ability of the industry to use these commodity exchanges in their hedging operations satisfying the banks as to the protection on their loans.

Recently there has been considerable conversation pertaining to a strategic reserve of wheat stocks in the United States. It is obvious, from present figures, we are now approaching the levels that have been projected as to what stocks this country should maintain in a strategic reserve. Now that we are approaching such a level, it would appear that now would be an excellent time to increase the sellout price of Commodity Credit stocks. It would allow a movement in the market above the support price of approximately 21 cents a bushel, plus charges, instead of 7 cents. We feel this would permit the producer to get higher income out of the marketplace. It would prevent additional contributions by the farmer to Commodity Credit stocks under defaulted loans and this, in itself, would permit the operations of the Department's program at less cost to the Government and also would assist in preventing another increase in Commodity Credit stocks to a burdensome figure such as they have been in the past.

We respectfully urge this committee to recommend an increase in the Commodity Credit sellout price to not less than 115 percent of the loan price, plus charges, and we feel this will aid greatly in accomplishing the principles laid down by our President and also make stronger the great free and open market with which we are now blessed in this country.

The CHAIRMAN. Are there any further questions?

Senator YOUNG of North Dakota. No.

The CHAIRMAN. Thank you very much.

Mr. GREGG. Thank you.

Senator YOUNG of North Dakota. Mr. Odegaard is here now, Mr. Chairman. I would like to introduce Mr. George Odegaard. He is manager of the biggest grain cooperative in North Dakota. It is not affiliated with any farm organization. Is that correct?

Mr. ODEGAARD. That is correct.

Senator YOUNG of North Dakota. Do you want to read your statement?

Mr. ODEGAARD. Yes.

The CHAIRMAN. This is your full statement?

Mr. ODEGAARD. Yes.

The CHAIRMAN. Please proceed.

**STATEMENT OF GEORGE ODEGAARD, MANAGER, SCRANTON EQUITY EXCHANGE ELEVATOR, SCRANTON, N. DAK.**

Mr. ODEGAARD. Mr. Chairman and members of the committee. My name is George Odegaard. I am manager of the Scranton Equity Exchange Elevator of Scranton, N. Dak. My firm represents about 1,200 wheatgrowers in southwestern North Dakota and northwestern South Dakota and we market between 1 and 1.5 million bushels of Dark Northern Spring wheat each year.

The primary area for producing Hard Red Spring wheat is North Dakota, parts of eastern Montana, northwestern South Dakota and Minnesota. Our principal market is Minneapolis-Duluth and some of our wheat does go into southern markets. It is needed in these markets for use for mixing because of the high protein and excellent milling qualities.

The recent announcement by the Secretary of Agriculture offering for sale high-protein wheat held by the Commodity Credit Corporation at 108 percent of current price support plus carrying charges has resulted in the loss of much-needed income for wheatgrowers in North Dakota. These growers derive the bulk of their income from the sale of high-quality, high-protein Dark Northern Spring wheat. The major source of farm income in North Dakota is the raising of wheat.

This action has had a disastrous effect on the marketing of grain by North Dakota producers. The effect this has had on the market can readily be seen by observing the drop in the Minneapolis-Duluth market as shown in the attached table.

This table will be distributed to you very shortly, and I would like to call your attention to the price in effect on the day before the announcement and the price in effect about 10 days hence.

On November 23, the price of 16-percent-protein wheat was \$1.98. At the same time 17 percent wheat was worth \$2.08. This was the price in the Minneapolis-Duluth market.

If you will read down the chart you will find that on December 7, the 16-percent protein wheat then was selling at \$1.94 and the 17-percent protein was selling at \$1.99. This is a reduction in the price to the producer of about 9 cents on the 17-percent protein, and a considerable amount on the 16-percent protein.

(The table is as follows:)

*Duluth Spring wheat prices*

1965 date	December future	Premium 15-percent protein	Total	Premium 16-percent protein	Total	Premium 17-percent protein	Total
Nov. 18.....	\$1.67 $\frac{1}{2}$	+23	\$1.90 $\frac{1}{2}$	+40	\$2.07 $\frac{1}{2}$	+50	\$2.17 $\frac{1}{2}$
Nov. 19.....	1.67 $\frac{7}{8}$	+23	1.90 $\frac{7}{8}$	+38	2.05 $\frac{7}{8}$	+48	2.15 $\frac{7}{8}$
Nov. 22.....	1.67 $\frac{7}{8}$	+22	1.89 $\frac{7}{8}$	+34	2.01 $\frac{7}{8}$	+44	2.11 $\frac{7}{8}$
Nov. 23.....	1.65 $\frac{5}{8}$	+21	1.86 $\frac{5}{8}$	+33	1.98 $\frac{5}{8}$	+43	2.08 $\frac{5}{8}$
Nov. 24.....	1.63 $\frac{7}{8}$	+19	1.82 $\frac{7}{8}$	+28	1.91 $\frac{7}{8}$	+36	1.99 $\frac{7}{8}$
Nov. 26.....	1.64 $\frac{1}{8}$	+19	1.83 $\frac{1}{8}$	+27	1.91 $\frac{1}{8}$	+35	1.99 $\frac{1}{8}$
Nov. 29.....	1.65 $\frac{5}{8}$	+19	1.84 $\frac{5}{8}$	+27	1.92 $\frac{5}{8}$	+35	2.00 $\frac{5}{8}$
Nov. 30.....	1.66 $\frac{1}{4}$	+20	1.86 $\frac{1}{4}$	+28	1.94 $\frac{1}{4}$	+36	2.02 $\frac{1}{4}$
Dec. 1.....	1.69 $\frac{1}{4}$	+20	1.89 $\frac{1}{4}$	+28	1.97 $\frac{1}{4}$	+36	2.05 $\frac{1}{4}$
Dec. 2.....	1.70 $\frac{3}{4}$	+20	1.90 $\frac{3}{4}$	+28	1.98 $\frac{3}{4}$	+36	2.06 $\frac{3}{4}$
Dec. 3.....	1.70 $\frac{5}{8}$	+20	1.90 $\frac{5}{8}$	+28	1.98 $\frac{5}{8}$	+36	2.06 $\frac{5}{8}$
Dec. 6.....	1.70 $\frac{3}{4}$	+20	1.90 $\frac{3}{4}$	+28	1.98 $\frac{3}{4}$	+36	2.06 $\frac{3}{4}$
Dec. 7.....	1.70 $\frac{3}{8}$	+18	1.88 $\frac{3}{8}$	+24	1.94 $\frac{3}{8}$	+29	1.99 $\frac{3}{8}$
Dec. 8.....	1.68 $\frac{8}{8}$	+17	1.85 $\frac{8}{8}$	+24	1.92 $\frac{8}{8}$	+29	1.97 $\frac{8}{8}$
Dec. 9.....	1.69 $\frac{1}{8}$	+17	1.86 $\frac{1}{8}$	+24	1.93 $\frac{1}{8}$	+29	1.98 $\frac{1}{8}$
Dec. 16.....	1.69 $\frac{7}{8}$	+17	1.86 $\frac{7}{8}$	+25	1.94 $\frac{7}{8}$	+30	1.99 $\frac{7}{8}$

Senator YOUNG of North Dakota. May I ask you a question here? The CHAIRMAN. Surely.

Senator YOUNG of North Dakota. We have a severe shortage of boxcars in that area, as you know. If there was an adequate supply of boxcars, more of the Commodity Credit Corporation grain could have been shipped to the terminal markets, is this correct? You would have had many more loadings?

Mr. ODEGAARD. Yes.

Senator YOUNG of North Dakota. Would that not have further adversely affected the market?

Mr. ODEGAARD. This is covered in my report, but this, naturally, would have aggravated the situation by causing a much more disastrous drop in the price of wheat, if the actual wheat would have been put on the market in larger quantities, such as we anticipated. The price could, conceivably, have dropped another 20 cents—it could have gone down to the loan value.

Senator YOUNG of North Dakota. The Commodity Credit Corporation said that they would sell wheat for that price. Actually, the wheat is out in the country, under their control but where the buyers can't get at it.

Mr. ODEGAARD. Much of it is not available to the market. In conjunction with the prices I just read to you, showing the drop in the price in the Minneapolis-Duluth market, I would like to read the final statement, from a letter that was sent to Senator Young by John A. Schnittker, Under Secretary of Agriculture, regarding our concern about this drop in the price of wheat. The closing paragraph in this letter says this:

We are returning herewith letters and telegrams which you had received from a number of constituents concerning the action of Commodity Credit Corporation in which you transmitted to us with your letter of December 6. We are puzzled by references in one or two of these letters to a 15-cent drop in the price of wheat.

Probably one of these letters was mine. You can refer to the chart here and you will see what the drop in the price of wheat actually amounted to. That closing statement is surely a puzzle to us:

Certainly no such drop occurred at the terminal markets and if any such drop occurred at country points it was unjustified and must have lasted for only a day or two at most.

(The letter referred to is as follows:)

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

Hon. MILTON R. YOUNG,  
U.S. Senator,  
La Moure, N. Dak.

DEAR SENATOR YOUNG: This is in reply to your telegram of November 24, 1965, regarding the announcement to offer high-protein wheat at the market but not below 108 percent of the current support price, plus carrying charges and your letter of December 6, 1965, on the same subject.

This action to return to the marketplace some of the high-protein wheat removed under past support programs was taken to moderate recent tendencies to price extremes for such wheat and to unevenness in its being offered from other sources for domestic needs.

We did not expect the announcement to have a material effect on the market price for high-protein wheat for two reasons. In the first place, our announced sales price protected the existing market premiums. In the second place, for some time we have had in effect an exchange program under which millers could exchange ordinary Hard Winter wheat for high-protein Hard Winter wheat at existing market premiums and only a moderate volume of wheat has been exchanged.

Our assumptions have been borne out to date as evidenced by the very small volume of high-protein wheat we have sold. Through December 21 we had sold only about 59,000 bushels of Hard Red high-protein Spring wheat. Since our announcement was made on November 23 market premiums have fluctuated both above and below the rates which prevailed on that date and are now very little different from those of November 23.

On December 15 as you know we also announced the availability of stocks of ordinary wheat in CCC inventory for sale at not less than the higher of the market price or 108 percent of support price plus carrying charges. Here again as we expected sales of CCC stocks of Hard Red Spring wheat have been light, and the effect on the market price of wheat small. In the period from December 15 through December 21, we sold 20,000 bushels of Spring wheat and 82,313 bushels of Durum. A copy of the December 15 press release is enclosed for your convenience.

Making limited supplies of CCC stocks available on this basis to avert extreme market developments is in the long-run interests of producers and consumers in the same way that CCC acquisitions of wheat in settlement of price-support loans in periods of low prices has been in the producers' interest. It is a policy in line with the traditional ever-normal-granary concept.

We appreciate your interest in the Department's action, and we wish to assure you that these releases of CCC wheat will be kept within reasonable bounds of actual supplemental needs for domestic use.

We are returning herewith letters and telegrams which you had received from a number of constituents concerning the action of CCC and which you transmitted to us with your letter of December 6. We are puzzled by references in one or two of these letters to a 15-cent drop in the price of wheat. Certainly no such drop occurred at the terminal markets and if any such drop occurred at country points it was unjustified and must have lasted for only a day or two at most.

Sincerely yours,

JOHN A. SCHNITKER, *Under Secretary.*

Mr. ODEGAARD. I have carried these price comparisons into December to show that the average loss in the 16- and 17-percent protein wheat was not a cent or two, that prices did not come back, that there has continued to be a 17-cent loss in the 17-percent protein and losses

as high as 25 cents a bushel along with a drop to \$1.95 from \$2.07, which is a 13-cent decline on the 16-percent protein wheat. We are puzzled by this statement by Mr. Schnittker in saying that we at the country level had dropped these prices. We merely followed the Minneapolis-Duluth market.

Senator YOUNG of North Dakota. What is the range of protein content of most of the wheat produced in your particular area?

Mr. ODEGAARD. Our wheat this year and for the past 3 years will range from 14, generally, to 17 percent.

Senator YOUNG of North Dakota. What percent of your wheat would be 16-percent protein?

Mr. ODEGAARD. In our area we raise a lot of Justin wheat, which is a high-protein wheat, and I would say that a high percentage of our wheat now would run between 15 and 16 percent; that is, during the last year.

The CHAIRMAN. Of what you produce?

Mr. ODEGAARD. Of what we produce, a lot of it does.

Senator YOUNG of North Dakota. What percent would run between 15 and 16 percent?

Mr. ODEGAARD. I would say that 42 to 60 percent of our shipments are 15- and 16-percent protein.

Senator YOUNG of North Dakota. Does it run in that range of protein?

Mr. ODEGAARD. Yes.

Senator YOUNG of North Dakota. Some will run higher and some lower?

Mr. ODEGAARD. Yes.

Senator YOUNG of North Dakota. What is the highest protein wheat produced in your area this year?

Mr. ODEGAARD. The highest protein that I have sent to the Minneapolis market this year is 16.40. I have some 17.40, but I have not accumulated a carload of the 17.40. I do have a lot of wheat that has run right in the 16-percent protein bracket.

Senator YOUNG of North Dakota. We had some in my area, Mr. Chairman, that ran better than 18 percent. We do produce a very high protein wheat. We have a top quality wheat, but our freight rates are so high that unless you produce top high quality wheat you do not wind up with much of a point at the terminal market.

Mr. ODEGAARD. That is correct.

There would ordinarily have been a slight drop in premium price at this time but the situation was further aggravated and a much sharper price decline took place in light of the Secretary's action.

This action came at a time when the water shipping channels serving our area were closed and the area was faced with a serious shortage of boxcars with which to move grain. This shortage resulted in much grain being held on farms and in country elevators which would normally have already gone on the market. In many cases we were unable to take in a farmer's grain. This had the result that much grain which would have been marketed earlier was still in producers' hands when the announcement was made.

When I buy wheat from a farmer I can go into the futures exchange and sell the futures to protect my cash purchases of wheat. As indicated by the enclosed table, we must also sell premiums in order to

protect the final price we receive for our grain. In other words, I could have sold wheat on November 23 on the futures market at \$1.65 $\frac{5}{8}$ , but if you add the commission of freight charges onto that you must have about 38 cents more than this, plus the protein premiums. Therefore, in order for me to pay that, I would have to have \$1.65 for the 16-percent protein wheat and I would have to have \$1.65 plus 33 cents, which would be my final market price in the marketplace. I could sell futures to protect my purchases, but I, also, would have to protect myself on the premiums above the futures to protect the final price of the wheat.

Ordinarily we can sell wheat to arrive. In this instance, however, the only way we could do this was by giving a specific date on which these cars would arrive at the marketplace. With the shortage of boxcars this was impossible with the result that many elevators and many farmers had to take a loss of from 12 to 20 cents a bushel on grain they held.

North Dakota has consistently worked through the Cooperative Extension Service and the agricultural experiment stations to raise a high-quality, high-protein wheat. Because of breeding for this quality our yields are normally rather low compared with other wheat-producing States in the Union. We have done this to enable us to compete in the domestic as well as the foreign market. The class of wheat produced in this area is sought in the markets of Western Europe and Japan to blend with weaker, lower quality wheats. This wheat is comparable in quality to that offered in the world market by the Canadian producer.

When the market supply of this wheat becomes short we feel the producer should be given the opportunity to benefit from the resulting better prices. In making sales this fall we had to advise the buyer that we would have a particular carload of wheat sitting in Minneapolis, probably, 5 days hence.

The CHAIRMAN. Is that unusual?

Mr. ODEGAARD. It is fairly common at this time of year, but here we could not buy a boxcar—we could not get boxcars—we were plugged, sir; naturally, we sat there without a sale. I sold futures to protect myself, but I could not sell my premiums.

The CHAIRMAN. Do you not believe, though, that the trouble stemmed from the fact that you had a shortage of boxcars rather than this 105 or 115 or 120 percent that the Commodity Credit Corporation was selling for?

Mr. ODEGAARD. Yes; but they made this announcement just at the time when we could not get the boxcars, and the effect of the price in Minneapolis-Duluth was staggering. These buyers just backed up from this. I tried to sell wheat. I tried to sell wheat as much as 7 cents below the Minneapolis-Duluth market, so that I could cover myself.

The CHAIRMAN. When was that statement made that you speak of?

Mr. ODEGAARD. On November 23. I believe you will find that I am right on that.

The CHAIRMAN. November 23?

Senator YOUNG of North Dakota. This was a shift from the previous policy of not selling any wheat at all. It was not at 105 or

120 or 125—there was no sale at all. Now the resale level is clear down to 108 percent of price support.

Mr. ODEGAARD. They had stayed off the cash market altogether. Before this announcement came, the buyer for General Mills, for instance, had been paying a high price for wheat. But if you were a buyer for General Mills, or for any one else, and you were responsible for buying this wheat at a competitive price, what would you have done in the situation—would you not have backed away from this market very rapidly? You would not have backed down to 5 cents or 10 cents, but to 15 cents or more, because you would expect the Government to put all of the wheat that they want on the market. You could then have purchased it much cheaper. We have no quarrel with the millers.

Senator YOUNG of North Dakota. If the boxcars had been available in sufficient numbers the cash price would have probably dropped 20 cents a bushel more.

Mr. ODEGAARD. If they could have gotten more of this wheat to the market; yes.

The CHAIRMAN. I notice in your table here that on November 23 that wheat was at  $2.08\frac{5}{8}$ ?

Mr. ODEGAARD. Yes.

The CHAIRMAN. And the next day, which is the 24th, it was  $1.99\frac{7}{8}$ ; the next day it was  $1.99\frac{1}{8}$  and the next day, the 29th, it was at  $2.00\frac{5}{8}$ ; and on the 30th it was  $2.02\frac{1}{4}$ .

Mr. ODEGAARD. That is correct.

The CHAIRMAN. And on December 1, it was  $2.05\frac{1}{4}$ ; on December 2, it was  $2.06\frac{3}{4}$ —almost what it was on the 23d of November. What caused that to rise?

Mr. ODEGAARD. Well, you have to go back to November 18. There are some of these things that aren't readily apparent.

The CHAIRMAN. But you said the statement was made on—

Mr. ODEGAARD. This is when the formal announcement appeared in the paper. This is the first that we saw of it in our daily market reports. I am sure that many were aware of this action back on the 18th. That is when it was 2.17, and then if you will compare 2.17 to the \$1.99 on the 24th, this is where the big drop came.

The CHAIRMAN. I have in my hand a statement to which you refer, dated November 23, 1965. And the question that I want to ask you is, in view of the fact that this statement was made, it seems to me that the next day the price of wheat went down, and then rose thereafter to almost the same price that it was on the 23d of November. What caused that?

It should have continued going down, as I see it, unless there was something else.

Mr. ODEGAARD. I will make this statement: The effect on the people of North Dakota was such that they contacted their Senators and Representatives and begged them to prevent the Commodity Credit Corporation from dumping a lot of wheat on the market. I think that our Congressmen, through their efforts, in going to the Department of Agriculture, and asking them not to put too much grain on the market helped, because that would have further depressed the market.

The CHAIRMAN. We will find out if that was done or not.

Mr. ODEGAARD. I hope so.

The CHAIRMAN. We will find that out tomorrow. I do not know what it was, but I would like to find out. I have been hearing about these dumping charges—that is, charges made of dumping wheat, dumping corn, dumping other grains on the market and I would like to try to go into that tomorrow when the Department comes up here.

I think I follow your argument here, Mr. Odegaard, but with all due respect, as to the statement made that on November 23, when the wheat, as I said, was selling for \$2.08 $\frac{5}{8}$  and then 4 or 5 days later thereafter it was \$2.06 $\frac{3}{4}$ , almost up to the point where it was on November 23, there must have been something else there. I would not attribute it so much to dumping if what you give us is the truth.

Mr. ODEGAARD. Then, of course, it went back down to \$1.99 again.

The CHAIRMAN. I noticed that but the thing that attracts my attention is that in the space of about 7 days the price almost caught up with the price that it was on the 23d when the announcement was made.

Mr. ODEGAARD. That is the natural swing of the market.

The CHAIRMAN. I think that the swing would be downward, instead of upward.

Senator YOUNG of North Dakota. Mr. Odegaard, I was concerned about the same thing that the chairman is thinking about. If the Commodity Credit Corporation had its wheat in the terminal markets and it was readily available to the millers at this reduced price, the cash price would have dropped way down, but the fact that they offered to sell it for this was not too effective, because they had no wheat at the terminal markets and could not get it there because of the shortage of boxcars.

Mr. ODEGAARD. That is the point. I appreciate that.

Senator YOUNG of North Dakota. What I am trying to say is that this order would have been far more disastrous had their wheat been available for sale and delivery.

The CHAIRMAN. Proceed.

Mr. ODEGAARD. The Secretary's announcement put a ceiling price on wheat which has had a very detrimental effect on the income of wheat farmers.

There is a big demand for soybeans and they have received a price considerably over the loan price of soybeans. We feel that the same should apply to the growers of Dark Northern Spring. If the demand warrants it our price should be free to rise somewhat but still not so much interfere with the working of the Government program.

The CHAIRMAN. The difference between that and wheat is that you have no soybean surplus on hand dangling over the markets. That is what caused that.

Mr. ODEGAARD. That is why we do not feel that this surplus should be used in competition with the cash market but that wheat should be shipped to foreign countries rather than competing on our cash market.

The CHAIRMAN. As I pointed out a little while ago, the difference between the world price and America is \$1.82 January 27. U.S. wheat and the world price is \$1.60. Why is that? Are we selling wheat on the world market outside of the United States today when the world prices are \$1.60?

Mr. ODEGAARD. I suppose that the Government is; yes.

The CHAIRMAN. We will find that out tomorrow.

Mr. ODEGAARD. But what we want is for the Secretary of Agriculture to try and get his wheat into the foreign market, not to compete with our cash market. This cash market is necessary to us in the grain business.

The CHAIRMAN. How would fixing the market at 115 instead of 105 for resale affect the market?

Mr. ODEGAARD. It would tend to let the market rise for those classes of wheat that are in short supply, any class of wheat that the domestic or foreign market needs. We feel it should have a little more range in price flexibility than this absolute ceiling.

The CHAIRMAN. This rise occurred under the present law—it occurred under the present law.

Mr. ODEGAARD. It did up to the point that they made the announcement and then it worked otherwise. That will continue for the next 4 years. This could be a permanent ceiling. We do not feel that this is justified in view of the need for wheat in the domestic and foreign markets. And, in light of a generally inflationary trend and we do not feel that our farmers should be held to a ceiling.

The CHAIRMAN. As I pointed out a while ago to one of the witnesses, if this dumping would apply to all of the crops you might have a good argument but one-half of your wheat that is produced, let us say, whatever is produced for the domestic consumption, you would have to do it with that \$2.67 that the farmer gets for it. We are trying to protect the farmer and the average price that he will get, as I understand it, under the present law will not be less than \$1.82½.

Senator YOUNG of North Dakota. That would be the blended price.

The CHAIRMAN. That is what I mean.

Mr. ODEGAARD. \$2.67. You mean \$1.67.

The CHAIRMAN. No, I did not.

Senator YOUNG of North Dakota. This is the blended price. The cash price received or the loan price plus the wheat certificate.

Mr. ODEGAARD. 1965?

Senator YOUNG of North Dakota. Plus the certificate value.

Mr. ODEGAARD. If we sell for \$1.50 it comes to a total of what, with the certificate?

Senator YOUNG of North Dakota. That portion consumed in the United States would receive full parity which right now is about \$2.53 a bushel. Of course, this would be the loan price plus the wheat certificate payment.

Mr. ODEGAARD. That was in 1965. This was the price in 1965.

The CHAIRMAN. In 1966.

Mr. ODEGAARD. This would be in 1966, but not in 1965, as I understand it.

The CHAIRMAN. I was trying to point that out to the previous witness. I could well understand the effect on the income of the farmer if this dumping and the fluctuation of prices was to apply to the whole crop, but it does not—50 percent, which is about what we consume, I think, of the wheat produced, the farmer would be paid at the rate of full parity.

Mr. ODEGAARD. For about 45 percent; is it not?

The CHAIRMAN. Whatever it is, 45 or 47 or 50 percent—he would get full payment for that.

Mr. ODEGAARD. On that portion going into domestic human consumption.

The CHAIRMAN. Full parity on that, yes, that is right.

Mr. ODEGAARD. On that portion?

The CHAIRMAN. Yes. And for the rest of it he gets a guarantee of at least \$1.25, but it cannot go lower than the blend price of \$1.81 for all of the wheat he produces.

Senator YOUNG of North Dakota. That is the program for this year.

The CHAIRMAN. And the next 4 years.

Senator YOUNG of North Dakota. This last year the lended price support was \$1.69.

The CHAIRMAN. I thought that we had done pretty well for the wheatgrowers. Senator Young has worked very much, has done a trojan job in getting what we have obtained in this bill. I know that because I have worked with him. I know how stubborn he is.

Mr. ODEGAARD. We appreciate that. We appreciate his efforts. We would still much prefer to work under the free market as much as we possibly can.

The CHAIRMAN. You cannot have your cake and eat it, too. If we were to give you a free market now you would not want it, just like everything else sells for what you can get for it—no.

Mr. ODEGAARD. We hope that we will in the very near future.

The CHAIRMAN. With the world market being \$1.60 how could you sell the wheat at a profit at \$1.60? You know that you could not—you have got to protect it. And that is what the world market was on January 27.

Mr. ODEGAARD. Yes, sir.

The CHAIRMAN. \$1.60.

Senator YOUNG of North Dakota. That price backed off to the farm in North Dakota would be about \$1.30.

The CHAIRMAN. Yes. It would be much worse.

Mr. ODEGAARD. If the domestic market needs our wheat to the extent that they will offer more than this, should anyone stand in the way of letting our price rise, so that we can enjoy a little prosperity and keep more people on the farm? This is what concerns me.

The CHAIRMAN. And me, too, but we have done the best we could.

Mr. ODEGAARD. You have done an excellent job.

The CHAIRMAN. Thank you. And you want us to do better?

Mr. ODEGAARD. No, we are not asking the Government to do more. We are just asking the Government to let the free market work, so that if we have a product that is needed and the market is willing to pay for it, that the Government should not put a ceiling on this for us. We feel that it should go along like soybeans. With soybeans you do not try to stop the price of soybeans going up.

The CHAIRMAN. No matter what you do for the farmer, he always wants more. I do not blame him.

Mr. ODEGAARD. Don't we all?

The CHAIRMAN. It strikes me that the act which was passed did very well for the wheatgrower, considering the surplus that we had on hand at the time. The fortunate thing is that this surplus is gradually dwindling.

Mr. ODEGAARD. Thank goodness.

The CHAIRMAN. And as the farmers expand and produce more wheat, why, I am in hopes that by the end of the 4 years you will have that free market that you desire.

Mr. ODEGAARD. We hope so.

The CHAIRMAN. And I hope so, too.

Mr. ODEGAARD. We are limited on the acreage we can produce on. We have to fallow one-half of our land. We cannot raise much more wheat in North Dakota in the future than we are raising right now. We have to fallow one-half of our land in order to conserve moisture.

Despite the bread tax charges at that time it was generally concluded that wheat prices have little, if any, effect on the price of bread. This market depressing action, however, does have a very serious impact on the income of the already hard-pressed wheat producer. A single producer holding 5,000 bushels of 16- and 17-percent protein wheat lost \$600 to \$1,000 through the Secretary's action. I have one such producer in my elevator. This loss was suffered through no fault of his own. Taken as a whole, this represents a tremendous loss to the farmers, businessmen, and other segments of the economy of our area.

I would like to see the law of supply and demand work in the marketplace rather than have a controlled price system. Much of the surplus should go onto the foreign market, not to compete with cars of cash wheat. If the price is less, we will take that. Presently, within a very narrow range, USDA has the power to determine what prices will be received by wheat farmers. I feel that the law of supply and demand should continue to operate in the marketplace. In many instances, this would have an advantageous effect on the price of wheat to producers, particularly in light of the present need for wheat in both the domestic and foreign markets for our type of wheat.

It is with this in mind that I would like to urge the adoption of legislation increasing the minimum resale price of CCC wheat to 120 percent of price support plus carrying charges.

Such an increase in resale price would provide considerable additional income to the wheat producers of my area. It would also better enable these producers and other segments of the grain industry to plan orderly marketing and to better manage inventories.

The present price declines have come in the face of limited CCC stocks actually being available for the market. If large quantities were to become available—as they undoubtedly will—further depressed prices must be expected. It is with this in mind that I urgently request the approval of legislation increasing the minimum resale price of these wheat stocks to 120 percent of price support.

I want to thank you for the opportunity to appear before your committee.

The CHAIRMAN. We are glad to have had you here. Are there any further questions? We thank you.

Mr. ODEGAARD. Thank you.

The CHAIRMAN. I understand that Mr. Johnson would like to appear this morning, and we will next hear from him.

**STATEMENT OF REUBEN L. JOHNSON, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION**

Mr. JOHNSON. Mr. Chairman and Senator Young, I have asked for the opportunity to appear this morning, because my statement will be very brief. First let me thank you and Senator Young for the outstanding leadership and work in putting together the kind of farm bill that Congress passed last year—the Food and Agriculture Act of 1965.

Our position last year, in regard to the resale of wheat from Commodity Credit Corporation, you may recall, was to ask for a resale level of 120 percent of the support price for wheat.

I would just like to quote from our statement that was filed in part I of the hearings last year, page 263. Our delegate to the 1965 convention of Farmers Union adopted the following statement:

No Commodity Credit Corporation inventory of wheat should be disposed of at less than 120 percent of the support price and other policies concerning Commodity Credit Corporation marketing should be directed toward strengthening the regular market structure.

At that time, as you will recall, we were attempting to win congressional approval of the wheat program. We were at that time, also, interested in an export certificate. We did not get the assurance we wanted that there would be an export certificate.

The effect of our recommendation last year and here today would be to provide a 25-cent increase in the price of a bushel of wheat in round figures.

You are exactly right, Mr. Chairman, farmers want more income, and our organization has always fought for those things that would give them more income, and that is the reason that we are here today.

We, of course, realize that farmers are in much better economic position than they were last year. We are very proud of the fact that we have been able to arrive at 100 percent of parity on the domestic consumption of wheat. We would like to have the committee, however, examine every feasible way, including the bill under discussion today, to further increase the income of wheat farmers, because like the previous witness we want to see as many farmers maintain rural America as possible.

I would like to say that while we are for this increase in resale on wheat, we do not think that it is feasible for feed grains. Our position is that any such increase should be worked in the context of the existing program not a substitute for the existing program.

Mr. Chairman, that is all I have to say. Thank you.

The CHAIRMAN. Thank you. Are there any questions?

Senator YOUNG of North Dakota. None.

The CHAIRMAN. If not, we thank you. The committee will stand in recess until tomorrow morning at 9 a.m.

(Whereupon, the committee recessed at 11:55 a.m., to reconvene at 9 a.m., on Wednesday, February 2, 1966.)

## MINIMUM RESALE PRICE OF COMMODITY CREDIT CORPORATION WHEAT

WEDNESDAY, FEBRUARY 2, 1966

U.S. SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, McGovern, Aiken, and Young of North Dakota.

The CHAIRMAN. The committee will please come to order. The first witness is Mr. Rice.

### STATEMENT OF SAM L. RICE, JR., PRESIDENT, GRAIN & FEED DEALERS NATIONAL ASSOCIATION, TOLEDO, OHIO

Mr. RICE. I have a short prepared statement here.

I am Sam L. Rice, Jr., president of the Rice Grain Co., Toledo, Ohio. Our company is a family-owned business engaged in grain merchandising, in northwestern Ohio. I am appearing today on behalf of the Grain & Feed Dealers National Association of which I am president.

This national association has 1,800 dues-paying members which range in size from the smallest country elevators to the largest feed and grain marketing complexes. In addition, we have 53 State and regional grain and feed associations which are closely affiliated with the national association. These affiliated associations have membership in excess of 17,000 business firms. This statement was prepared within the framework of the policy objectives of the national association.

We appreciate this opportunity to appear before the Committee on Agriculture and Forestry and express our views on the proposed legislation to increase the resale price of Commodity Credit Corporation wheat stocks.

In assessing proposals to alter the Commodity Credit Corporation resale formula price, it is important to keep in mind certain characteristics of the minimum sales price and its effect on the voluntary acreage diversion programs.

Generally speaking, when farmers produce less of a commodity than the market will absorb at the support price, as they have quite consistently under recent programs, market prices will rise above the support level. In these circumstances, when Commodity Credit Corporation attempts to limit the price increase by sale of its own stocks at the formula price, as it has in recent years, its resale price tends to establish the market price.

Against this background, one important advantage of increasing the formula price is readily apparent. Both farmers and Commodity Credit Corporation would receive higher prices for commodities they offer for sale.

Another important but less obvious advantage of a higher resale price is that the marketplace overrides the Commodity Credit Corporation in guiding the production and disposition of basic farm commodities. Secretary Freeman referred to the importance of this in his testimony to the House Agriculture Committee on April 6, 1965.

An aspect of this which the Secretary did not discuss in detail seems worth comment here. This involves the impact of proposed changes on futures trading. A widening of the differences between price support and statutory loan resale prices will tend to increase the usefulness of futures markets.

Those who rely upon futures prices to guide their stocks acquisitions and dispositions, and buy or sell futures contracts as temporary substitutes for these planned acquisitions and dispositions, do so in terms of their own evaluations of price prospects. When the prospect of price change is severely limited, these firms have little incentive to appraise the prospect or to use the futures markets. The range over which prices can change is inherently limited by the 105-percent requirement, which is the chief deterrent to the use of the futures markets. A second deterrent is that the authority which the Commodity Credit Corporation has to sell is not a mandate to sell. The authority which the Commodity Credit Corporation has discourages risk capital from entering the market and the lack of mandate prevents Commodity Credit Corporation from being a reliable supplier. Hence, the trade is confronted by an uncertainty for which there is no effective protection. With a wider range, the trade would not only have more scope for decisionmaking related to market forces, but could view with greater certainty the prospect of Government sales at the statutory level.

For two reasons, then, futures markets would be better used if the statutory resale price were to be increased: first, because the range of possible price change subject to the usual supply and demand forces would be widened; secondly, because the unpredictability of an unusual supply force—Government sales—would be reduced.

A further consideration is that, if price programs in the future are to allow more scope to the marketplace, it is important to maintain the institutional framework under present programs. It is too much to expect markets to perform adequately at some future date if they are permitted to wither away under present programs.

In my business, the ability to hedge gives me price protection for my grain inventory. This price protection not only allows me to work on a closer margin of profit but also affords price protection which facilitates the borrowing of money necessary to finance grain inventories.

There is still another advantage in increasing the statutory resale price. This involves reducing unnecessary price-support activity and, therefore, the costs to the Government of price-support programs.

At present, producers who have placed commodities under loan often forgo the privilege of redeeming them even though the price rises above the loan level to the Commodity Credit Corporation's resale

price, because the difference between the loan and resale price is not great enough to make the grain redemption attractive.

The cost to the Government and the disruption of the market system caused when the price at which CCC can buy grain from farmers—price support loan level—and the price which they can sell—resale level—is too close together can be seen most clearly in a review of 1961-62 corn situation. In 1961 U.S. farmers produced 3.6 billion bushels of corn. Corn consumption that year was 4 billion bushels. Four hundred million bushels were needed from CCC stocks. But because the loan level was too near the resale level, CCC incurred the expense of acquiring 637 million bushels of corn because farmers did not have the incentive to redeem their corn loans. CCC then sold 975 million bushels instead of 400 million to balance yearly needs. This 975 million bushels represented over one-half the total off-farm movement of corn in that year.

A spread between the price which CCC buys and the price which they sell is needed to prevent such needless and costly operations. We believe 5 percent is not a sufficient spread.

I would like to turn now to disadvantages involved in increasing the resale price. First, voluntary acreage diversion programs are expensive. Their costs are directly related to anticipated market prices. Producers weighing the relative merits of compliance and noncompliance are influenced by the price they expect to get if they forgo acreage diversion and attempt to maximize production. We have already noted that when these programs are effective in adjusting production to disappearance, the Commodity Credit Corporation resale price in effect establishes the market price. It would seem, therefore, that if the resale price is increased substantially, then additional payments must be offered compliers to offset higher market prices anticipated by noncompliers in order to achieve the same program results. Because of recent world food developments, this concern for insufficient or high-cost diversion may no longer be appropriate. In fact, USDA, on January 25, announced that because of concern for insufficient wheat stock payments for Spring wheat diversion would not be paid in 1966.

A second important disadvantage of increasing the Commodity Credit Corporation resale price and therefore the effective market price involves disposition of the commodities involved. In the case of wheat, an increase in price resulting from an increase in the Commodity Credit Corporation resale price might require an increase in export subsidies to avoid the loss of export sales. Again, this consideration should be weighed in light of recent world developments. If unusual world demand develops, a low sale price might hold down farm prices and farmers may fail to respond to anticipated increased demand. If resale prices were higher, the market prices may rise at least to the resale level reflecting the anticipated larger world demand. This may assist in heading off a short supply condition from developing because of too much diversion caused by the failure of the market price to reflect accurately supply-demand conditions.

The important role expanding exports can play in easing the burdens of agricultural adjustment is well recognized. Both Government and private agencies are involved in extensive efforts to increase foreign

sales. The effect of an increase in Commodity Credit Corporation resale price upon these efforts should be carefully weighed.

Giving full consideration both to advantages and disadvantages it is our judgment and recommendation that the statutory resale price of 105 percent is detrimental to our agricultural industry and agricultural programs in general. We also believe there are disadvantages of raising the resale price too high as long as acreage diversion programs are required to curtail U.S. cereal production.

This association is on record as favoring a resale policy of 110 percent of the price-support loan plus reasonable carrying charges.

As world supply-demand conditions change and as the need for control programs are reduced, we favor increasing the resale level in order that the market price reflects more clearly supply-demand conditions. This would increase the effectiveness of the private marketing system in fulfilling its role, it would reduce unnecessary activity in the price support programs—and, therefore, Government costs—and it would provide a moderate price increase in returns both to producers and to Commodity Credit Corporation on the sale of their stocks.

The CHAIRMAN. Who, in your opinion, suffers more by leaving it at 105—the farmers or the speculators?

Mr. RICE. I feel that the 105 is detrimental both to the farmer and to the Government or to the taxpayer, because, as I pointed out here in one of the examples, I thought the corn example clearly shows what happens when the spread difference between where the Government becomes a buyer and where the Government becomes a seller. If this spread is too close, then the grain—

The CHAIRMAN. Well, the spread is 5 percent plus carrying charges, and those carrying charges, 1½ cents per bushel per month plus freight, which makes it about, as I recall, 14 or 15 cents a bushel.

Mr. RICE. I do not believe—it is a cent a month, isn't it?

The CHAIRMAN. Well, whatever it is. But it is a carrying charge—I mean the freight. And as I pointed out yesterday, if this amount is raised and the wheat is offered for a price greater than the world price, the tendency would be to let the Government take it over. And the difference in the world price on wheat as of January 27 was this: The U.S. price was \$1.82; world price, \$1.60.

So, if you make the carrying charge, as I see it, greater so that the wheat will sell for some higher than the world price, the tendency would be to have the Government purchase this wheat, corn, whatever commodity it is, and increase the burden of the Government and the taxpayer.

You see, what we did in the act of 1965—and I think it was within the keeping of the duty of this committee—was to try and take care of the producer. We have provided for domestic consumption parity price for that wheat, and we more or less guarantee the price of wheat produced for foreign consumption at \$1.25. But the blended price of what the farmer sells for, his domestic consumption, plus what he produces for foreign use, will give him an average of about \$1.81 per bushel. And that is what the Congress tried to do—protect the producer.

Now, if you raise this, you can readily see that the cost will go up for the Government, and, of course, it will be a bigger protection, in my opinion, for the speculators than it would be for the farmer, be-

cause most of the farmers—a good many of them—dispose of their wheat as they gather it, unless, of course, they belong to a cooperative which in some way protects them.

Mr. RICE. Well, the problem here, with the resale level too close to the support level—you have two things: Each year a certain amount of wheat goes into the Government loan—in this case, corn. Corn actually goes into the loan. If the market price rises sufficiently, the farmer will redeem his loan and move the grain into the normal marketing channels. However, the problem we are facing now, and I think the figures show, even in years when we raise less than we need, the farmer puts his grain in the loan but the resale program puts a lid on the price level where it does not become attractive to redeem his loan, and the Government ends up becoming the buyer of the farmer's grain and the seller of the farmer's grain out of Government stocks. This increases the cost to the Government. It does not increase the farmer's income. But it also has one other disadvantage, and that is, as the farmer moves his grain to market, someone has to assume the risk of price ownership. The narrowing of the spread makes it unattractive for risk capital to move in and assume this price risk, which someone has to hold.

So, in a sense, I would say that actually it is the farmer who suffers, and the overall marketing system suffers because of it.

Senator YOUNG. Mr. Chairman, when you have a situation such as we have had for the past 3 years or more, where disappearance is greater than production, a higher resale price will tend to hold the cash price above the loan, and less grain will go under loan and more will be sold on the free market. Also, more loans will be redeemed by the owner and the grain put on the market.

You are right, though, when the cash price goes up, it does mean a higher export subsidy. I think there is a greater saving, though, on the other side. The CCC acquires less wheat and the farmer gets more money, and the free market operates a little better.

The CHAIRMAN. Well, as I understand, your purpose here was to try to make it possible through proper administration of the law so that the Secretary, who has the authority to raise it from 105 to as high as he desires, make it such that grain produced in this country can be competitive—if that is one of the purposes, and not to store it.

If you increase from 105 to 108, 110, or if you freeze it at 115, that means, in my opinion, that the Government will have to remain in the business and buy it if you cannot sell it on the foreign markets at the going rates, and that, to me, is going to be simply more expensive for the Government.

Mr. RICE. Well, the problem we are facing here—actually, we have gone through a period of adjustment, when we have been actually producing less than the demand for the grains. And there has been a constant withdrawal from Government inventory. But the problem is, if you get the spread too narrow—again, I would like to refer back to the 1961-62 corn situation, when we actually raised in this country 400 million less corn than we needed.

Now, if the market had had a wider range to move it, I think you can safely assume that it would have been more profitable for the farmer to redeem his loan and take care of this deficit rather than—

The CHAIRMAN. And more costly to the Government.

Mr. RICE. At less cost to the Government.

The CHAIRMAN. No, no; more cost, because they would have to pay the differential between the support price, if you raise it, and what it sells for.

Mr. RICE. No. The Government—if you had raised the resale price—

The CHAIRMAN. You are speaking of corn. We are now considering wheat, of course.

Mr. RICE. Yes. But I think it is the principle that I want to point out here, and I thought that corn was an unusually good example in that particular year.

If the market price had been allowed to go higher, two things would have happened: No. 1, the Government would have received more money for the 400 million bushels than was needed from Government inventory to take care of the shortage, but the other thing, it would not have had the expense of acquiring 600 million bushels of corn, taking it into Government inventory and then turning around to resell it.

The CHAIRMAN. Well, I have the most recent prices for wheat, and the action taken by the Secretary in raising it from 105 to 108 has put the price of wheat at or about or near world prices, so that there can be competition there.

Senator YOUNG. Mr. Chairman, he did not raise it from 105 to 108 percent. He changed it from no sale at all, which would be the same as a \$2 resale price or any other figure you want to put it. The Government did not sell a bushel of wheat for unrestricted domestic use for a whole year.

The CHAIRMAN. He raised from 105 percent at which it could be sold, to 108.

Senator YOUNG. You did not sell it at 105 percent for the last year. He has now put it at 108 percent which is 3 percent higher than the legal minimum. There was no sale at all for a year.

The CHAIRMAN. In any event, the difference, as I pointed out, is: Last December, the world price on wheat was \$1.56 per bushel at the port, and the U.S. price was \$1.77. In January of this year, the U.S. price was \$1.82 at the ports, and the world price \$1.60.

Are there any further questions?

If not, we thank you very much, Mr. Rice.

Mr. RICE. Thank you, sir.

The CHAIRMAN. Mr. Hendrickson.

#### STATEMENT OF ROY F. HENDRICKSON, EXECUTIVE SECRETARY, NATIONAL FEDERATION OF GRAIN COOPERATIVES

Mr. HENDRICKSON. I would like to bring Mr. Ramsland up here with me.

The CHAIRMAN. Very well. Mr. Ramsland. All right.

Mr. HENDRICKSON. Mr. Chairman, I am Roy F. Hendrickson, executive secretary of the National Federation of Grain Cooperatives, Washington, D.C.

With me is Mr. Royce Ramsland, vice president, in charge of domestic marketing and merchandising for the Farmers Union Grain Terminal Association, St. Paul, Minn. This large cooperative, serving the farmers of the States of North and South Dakota, Montana,

and Minnesota, is one of 25 members of this federation engaged in marketing grains and oilseeds here and overseas for producers in most States.

These cooperatives have as their chief mission to market grain so as to yield to producers the largest possible return with the least waste and at the lowest unit cost.

It is a highly specialized business; margins are narrow, and the fewest possible speculative risks are taken. This reflects the role of the cooperatives as agents and trustees of the farmer in his off-farm business enterprises. Farmers have invested very large sums in elevator facilities, in transportation and other equipment, and in the employment of staffs of specialists to serve them in the markets—local, terminal, and export.

It has been brought out in these hearings that the President in his farm message of last February, the Vice President in a notable speech quoted by Senator Mundt, and the Secretary of Agriculture on a number of occasions have indicated their desire to have an efficient and viable marketing system. They have stated that it is their desire that the private segment of our economy should carry grain inventories bought from farmers, rather than depending on the Government as the source of supply. There is no issue on that.

I listened to witnesses here yesterday and also to many who testified before the House Committee on Agriculture last spring, on the matter of the provision of law specifying the minimum CCC resale price for wheat at 105 percent of the support price. Here there is an issue, or at least a vast difference of opinion.

I have tried hard to get to the heart of the issue. The need, I think we can agree, is to encourage and not to discourage those who can carry inventories of grains and oilseeds, thus reducing the burden of the Government, cutting its costs and helping the marketing system to function efficiently.

I am very glad that Senators Mundt and Young, in introducing S. 2785 which would establish the minimum resale price at 115 percent plus reasonable carrying charges, have provided a concrete proposal so that you, Mr. Chairman, and your committee can examine the elements which deserve study.

In listening to the various witnesses, most fail to take into account the role of risk which uncertain Government policies of resale introduce into grain marketing. There are routine risks involved in the collection or amassment of grains and oilseeds from a large number of farms, proceeding through the local, subterminal, terminal, and other market gateways, using every mode of transportation and involving a considerable period of time, costly financing and handling.

In most markets it is possible through hedging to insure against certain risks such as major swings in prices. It is possible to insure against the risks of loss involved in transportation, in storage and handling.

But no one has devised a system of hedges, a system of insurance, which will protect against changes affecting inventory flow and values arising out of changes in Government policies and programs.

It is true that the Government's program with respect to the sale of grain has changed many times in the last 15 months. Consider these:

1. On October 16, 1964, USDA announced suspension of Hard Red Spring wheat sales.
2. On March 19, 1965, USDA announced suspension of CCC wheat sales for domestic use.
3. On November 23, 1965, USDA announced that it would offer high-quality bread wheat from its own stocks, specifically Hard Red Spring wheat of 15-percent protein and above and Hard Red Winter wheat of 13 percent and above.
4. Then on December 15, 1965, USDA announced that it would offer for sale CCC wheat of all qualities "at market prices or at 108 percent of the current support price plus carrying charges, whichever is higher."

Now, I believe that Secretary Freeman and his associates deserve credit and appreciation for having raised the resale minimum by administrative action, from 105 percent to 108 percent. This was most helpful. This proved also that testimony presented last spring indicating that any increase in the resale price above 105 percent of the support price would wreck or weaken the wheat certificate program was mistaken, to say the least.

The resale figure of 108 percent of the support price or the market, whichever is higher, still means that the range between the support price and the resale price is much too narrow to provide the most efficient performance by the marketing system. For example, no one is likely to build an inventory unless there is hope of gain—call it speculation, if you wish; I call it gain. No one is going to buy it with the idea of trying to entertain a hope for loss.

The simple fact is that with the Government prepared to sell wheat of every class and quality at 108 percent of the support price, and this means a tremendous variety of prices at different places and for different qualities—ready to do this—it means that the merchandisers, processors, exporters, and others are not likely to run the risk of competition from the Government by bidding grain prices up much beyond 106 percent of the support price.

Only the improvident, the most reckless risk taker would proceed to acquire wheat at some point far distant from a market or in a terminal market or anywhere else at 106 percent of the support price or at some figure fractionally higher, in the face of a possibility that with no further notice whatever the Government might sell a substantial quantity to others who sought the same market outlets.

This is the heart of this problem. It is the uncertainty, the factor of competition from the Government that you cannot anticipate or know about, and which really is not wise or fair.

The CHAIRMAN. Won't that remain as long as the Government has this big stock, or big stocks, of any commodity?

Mr. HENDRICKSON. No, I don't think it needs to, because I think you can have rules with respect to those stocks—fair, open, clear rules, just as well as you have rules on lots of other things that are clear and open. The thing about it is that this is a temptation for sudden, precipitant selling, without announcement, for reasons that we cannot always learn. They are not always explained.

I have been in this town for a long while. I have sought, after some effort, to find out precisely what was the motivating factors that entered into this decision in November to sell high-protein wheat. I

will say that I get a great many different explanations. One is that, well, the bread prices were about to rise in Brooklyn or in Texas, that protein simply was too high.

Now, when is the price too high or too low? That is a subjective matter. Sure, the answer depends up how the fellow wakes up in the morning, how he feels.

I will not say this of Secretary Freeman. I have tremendous respect for him, and I have respect for the people around him, but there are some rules that we should have, it seems to me.

Thus, if the resale price was advanced to 115 percent of the support, or even 112 percent, or even 110 percent, the range between floor and ceiling would be such as to facilitate more efficient functioning of the marketing system.

Unless the market prices are permitted to advance to a somewhat higher level, the takeover of wheat placed under loan by farmers and not redeemed will be higher than otherwise.

The CHAIRMAN. Well, take the case of wheat, where would you expect this wheat to be sold?

As you know, the farmer is guaranteed, producing for the domestic market, full parity. The only outlet we have for the wheat, of course, is export, outside of what is consumed domestically.

Mr. HENDRICKSON. That is right.

The CHAIRMAN. And if you raise the export price higher than the world price, what is going to happen? Won't the Government have to pick up the difference?

Mr. HENDRICKSON. When Mr. Ramsland testifies, we will be happy to get into the availability of wheat from other sources over the world today. The world price today of wheat is what the United States says it will be. That is the world price of wheat today, because we are the only ones really with a substantial stock that is available to sell.

Canada is sold out, to Russia, to China, and to other places. And the others are largely sold out.

We could raise the world price. We do not want to do it, I am sure; and I am sure it would be bad policy to do so but actually this world price of wheat at the moment could be raised by action of the Government of the United States. I do not think it is desirable; I would not encourage it.

But remember that we have a very fine market, export demand is strong for wheat today. Some of it is concessional selling, to be sure. India and Pakistan demand is terrific.

The CHAIRMAN. Terrific? You mean by way of donation.

Mr. HENDRICKSON. It is a terrific demand.

The CHAIRMAN. You could dump it all there if you desire, at the Government's expense. I do not want to do that.

Mr. HENDRICKSON. I don't favor it, either.

The CHAIRMAN. My friend, Senator McGovern, wants to do it, but I don't.

Mr. HENDRICKSON. Well, you and Senator McGovern can argue that point.

Senator MCGOVERN. I do not say dump it indiscriminately, Mr. Chairman.

The CHAIRMAN. No, no, but let's produce for the whole world. We have given them all our gold, and now we want to transfer abroad our soil, and I don't want to do that.

Mr. HENDRICKSON. You were saying, Mr. Chairman, that the world price was substantially below our price. The point is that we could actually increase our price—the price which we are asking, because at the moment we are in the position of being not only the major but almost the only supplier of any consequence for this particular period.

The CHAIRMAN. Well, aren't we fools not to sell for as much as we can, for dollars, in the light of our shortage of gold?

Mr. HENDRICKSON. Well, you spoke of India and Pakistan. In that case, it becomes merely bookkeeping, doesn't it?

The CHAIRMAN. No; I am talking about—you say we can fix the price.

Mr. HENDRICKSON. Well—

The CHAIRMAN. For dollars?

Mr. HENDRICKSON. Well, it will be certainly—

The CHAIRMAN. And if we give it away, it is to our advantage to keep it low, because we will lose that much less.

Mr. HENDRICKSON. We have dollar customers for wheat today, pretty good customers, West Germany, United Kingdom, Norway—others who are paying dollars. With respect to those customers, it is not advisable to raise the level of prices compared to what they have been used to paying. They are quality buyers to a very large extent.

But that is not the issue that I am trying to bring to your attention here. The issue I am trying to bring is the need for a viable, efficient marketing system, to have a reasonable range between the floor and the ceiling, if it is going to function. In so doing, it really saves the Government money, because, it makes possible the redemption of a great deal of wheat that is placed under loan by farmers who, if the ceiling is down at a low point, certainly are not going to find it to their advantage to redeem.

As far as I am concerned, the loan program is a failure to the extent possession has to be taken by the Government of these stocks, if it is possible for them to be absorbed into and used by the trade and sold.

The CHAIRMAN. I would be willing to wager all I have got that you raise this to 115 percent, the Government is going to acquire more and more of the wheat.

Mr. HENDRICKSON. You mean 115 percent of the resale?

The CHAIRMAN. Certainly, because you will not find cash sales abroad. The Government, on the contrary, will have to give it away to Pakistan, to India, to southeast Asia, and Korea, and other places where we get these lousy soft currencies that are not worth anything to us.

Mr. HENDRICKSON. Well, I am not a betting man, but I could not agree with you on that.

The CHAIRMAN. Well, I do not expect you to.

Senator YOUNG. It would mean a higher export subsidy.

The CHAIRMAN. Certainly, it would.

Senator YOUNG. At the same time CCC would take over less wheat.

Mr. HENDRICKSON. That is right.

The CHAIRMAN. What is it you do not agree with me about?

About the stability of these foreign—

Mr. HENDRICKSON. I do not think, by raising the resale price to 115 percent, that it increases the overall net cost to Government—if

you take into account all costs, subsidy as well as the takeover of wheat.

The CHAIRMAN. Who is going to get the difference?  
Somebody is going to get it here.

Mr. HENDRICKSON. Well, I think those producers who are able to enjoy a price somewhere above 106, 107, 108 percent of the resale price are those who benefit.

The CHAIRMAN. Sure. But we have provided for them, I think, fairly and sufficiently, for the next 4 years.

Mr. HENDRICKSON. Well, really, Mr. Chairman, you say we have provided for them.

The CHAIRMAN. That is right.

Mr. HENDRICKSON. The thing is, the real problem here is, really, basically, to try to have a governmental program which has been needed and found necessary over the years and try to marry that with a marketing system that is based on the functioning of supply and demand. It makes a kind of an uneasy marriage. But if you are going to have a marriage, you are going to have to have some rules that everybody understands to apply to this particular relationship.

What I am protesting—and I am protesting with some humility because I really feel that the Department of Agriculture is trying to do, and has done, a better job with inventory management in recent years. I think, though, that this off-again, on-again, gone-again kind of policy is not needed, or healthy or desirable.

Senator YOUNG. Would you yield for a question?

I would agree with you that we should have some guidelines. This does give too much power to the Secretary of Agriculture. Just what guidelines would you propose?

I understand that some elements of the grain trade think the resale price should be geared to the amount of carryover. I think this should be given some study by you people in the trade who know the business. I think if you had some guidelines attached to our resale policy rather than the present wide-open situation. It would be helpful.

Mr. HENDRICKSON. I think you are exactly right, Senator.

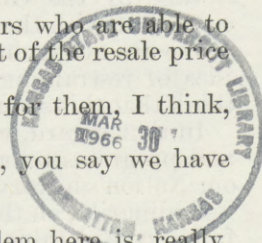
Well, I will try to complete my statement, because you have a limit on time, and then turn it over to Mr. Ramsland here. I will proceed to the top of page 5.

From the standpoint of cost to the Government, it is desirable that to the extent it is possible for farmers to redeem loan grain to their advantage financially, they should be encouraged to do so because the purpose of the loan is not to acquire inventory by the Government, but, rather, to place a floor under the prices, assisting the process of orderly marketing.

In many respects the Commodity Credit Corporation has been doing a better job in recent years in the management of inventories, and the decline in the volume of its holdings has greatly reduced the financial costs.

Cooperatives expanded grain storage at the request of the Government during the long period of the stalemate over governmental price-support policies. These cooperatives responded to earnest and frequent pleas from two Secretaries of Agriculture to expand storage space.

We were well aware of the fact that we did not have a long-term storage contract, and I should like to have the record show—because



one witness, at least, has indicated some lack of good faith on the part of those advocating a higher resale price—that we are not advocating storage by the Government, if such storage requirements are not consonant with the policies and needs of the Government.

We are not trying to fashion or adjust or change policies with the idea of restraining and piling up grain in order to earn storage. I think that this should be made absolutely and abundantly clear.

In that regard, we are aware of the periodic need to review policies and programs bearing on strategic reserves in this difficult period of our Nation's history.

Ordinarily, on the basis of my experience and observation, I tend to favor considerable discretionary authority vested in the executive branch on such matters as resale price levels. There are times when a firm requirement in law in specific percentage terms can prove to be difficult to administer in the light of rapidly changing conditions.

All in all, however, if this committee could succeed in indicating to the Department of Agriculture its desire for a higher resale level, for less frequent changes in policy, and for the development of a greater sensitivity to the risks involved in inventory accumulation, it would be helpful.

Thank you very much.

Senator MCGOVERN. Mr. Chairman, could I just ask one question here about this phrase near the bottom of page 5, "strategic reserve?"

Mr. Hendrickson, do you have any idea how big that ought to be, in terms of our own needs?

I have never been able to find anywhere in the Government where we have ever really decided what the difference is between a surplus and a reserve.

Mr. HENDRICKSON. Yes. There have been two outstanding studies. I was a member of the Grain Research Advisory Committee some years ago when we arranged for a contract study by Prof. Theodore Schultz, of the University of Chicago. However, this was couched in terms of the military and defense needs. Schultz went off on a tangent. He came to the conclusion that reserves should largely be set up overseas so as to assist allies in case of trouble. Nothing has ever been done on that. It has not been practical.

About 2 years, the National Advisory Committee that was set up to advise the Secretary of Agriculture—appointed by the President—made a study, and I have only recently looked at that. It proposed a range of around 600 to 650 million bushels, in the case of wheat, as I remember it.

Now, I have felt that that study was somewhat incomplete.

I might say that I am a member of this new commission, the National Advisory Commission on Food and Fiber, and it recently met for the first time, and I encouraged—which I believe was consonant with the assignment that the President had given us—that a very great effort should be given to dig much more deeply into reasons with respect to these reserves.

I will tell you why.

If you take just one criterion, which is defense, purely defense, you come up with a lot of different ideas—it is a lot of guesswork. But then you add another criterion, or another purpose for such a stockpile, which is price stabilization within this country, and you bring in other points entirely.

For instance, the justification of this resale of protein and the opening up of sale of wheat entirely here in December was justified partly as a step toward the stabilization of prices to prevent the cost of living from advancing, and so on. This had a sort of relationship to the release of manganese, release of aluminum, and things of that sort.

It seems to me that that was never really contemplated, that the idea of price stabilization as a function was never really thought through and contemplated by Congress. Congress has stayed away from a price control law so far, so far as I can see. You have not been enacting anything like a price control act. Still, if USDA brings price stabilization in as a criterion in reselling grain it changes the whole thing, the whole rulebook.

I agree there is not a satisfactory set of directives on this subject.

The CHAIRMAN. Well, are you able to answer his question as to how much the reserve should be?

Mr. HENDRICKSON. I think, in wheat, it ought to be at least 650 million bushels.

Senator MCGOVERN. Isn't that about what we have now?

Mr. HENDRICKSON. We are not down to that yet. The last official carryover estimate I have seen is somewhere in the magnitude of 700 to 725 million for wheat. My own figures indicate 650 million.

What is the last figure you have in the official USDA report?

The CHAIRMAN. 750 million, as of October 1965.

Senator YOUNG. That is the estimated carryover as of next July 1.

Mr. HENDRICKSON. As of next July 1.

The rate at which wheat is moving out of this country now, it is very likely to be 650 or 675 million next July 1, which is certainly within the range of a proper stockpile.

Senator YOUNG. May I ask a question?

The announced purpose of the resumption of the resale of wheat by the Department of Agriculture was to stabilize wheat prices, it was argued that the price of bread may go too high.

I cannot remember a time, in the history of farm price support programs, that they were ever used for the purpose of lowering prices. Can you?

Mr. HENDRICKSON. That has been true; that was true of feed grain sales, of course, in 1961 and 1962. They were used to lower prices then in order to try to get more participation in and compliance with the program.

But I think we should not reason from the feed-grain program precisely as to wheat. I think they are two different things, entirely.

Senator YOUNG. I agree with you.

The CHAIRMAN. All right.

Mr. Ramsland.

**STATEMENT OF ROYCE RAMSLAND, MANAGER, DOMESTIC MERCHANDISING AND MARKETING, FARMERS UNION GRAIN TERMINAL ASSOCIATION, ST. PAUL, MINN.**

Mr. RAMSLAND. Mr. Chairman and gentlemen, first of all, I want to thank you very much for the opportunity to appear before you and discuss the resale policies of the Commodity Credit Corporation. My name is Royce Ramsland. I live in Hopkins, Minn. I am domestic

manager of merchandising and marketing for Farmers Union Grain Terminal Association located at St. Paul, Minn.

The legal minimum CCC resale price was set 17 years ago in the Agricultural Act of 1949, after initial restrictions on CCC sales had been written into the Agricultural Act of 1948. Section 407 reads, in part: "The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges. The foregoing shall not apply to \* \* \* sales for export \* \* \*."

When Congress passed this provision in 1949, supports were 90 percent of the old parity formula. By this and later laws the loan levels have been drastically lowered, while the 105-percent provision has been untouched. For wheat, 90 percent of the old parity formula would now be around \$2.80, with 5 percent being 14 cents margin for market fluctuation. Today, with the support at \$1.25, 5 percent is only 6 cents, a very narrow margin for market operations. In connection with this, I refer you to a table I have prepared on the annual support prices and 5-percent margin, 1949 to date.

(The table referred to is as follows:)

*Margin over wheat loan provided by 105 percent resale minimum*

Crop year	Crop support price (loan rate—national average)	Resale margin at 5 percent of loan	Crop year	Crop support price (loan rate—national average)	Resale margin at 5 percent of loan
		<i>Cents</i>			<i>Cents</i>
1949 -----	\$1.95	9.75	1959 -----	1.81	9.05
1950 -----	1.99	9.95	1960 -----	1.78	8.90
1951 -----	2.18	10.90	1961 -----	1.79	8.95
1952 -----	2.20	11.00	1962 -----	2.00	10.00
1953 -----	2.21	11.05	1963 -----	1.82	9.10
1954 -----	2.24	11.20	1964 -----	1.30	6.50
1955 -----	2.08	10.40	1965 -----	1.25	6.25
1956 -----	2.00	10.00	1966 -----	1.25	6.25
1957 -----	2.00	10.00	1967 -----	(1)	(1)
1958 -----	1.82	9.10			

<sup>1</sup> Probably same.

The CHAIRMAN. As I remember, that does not apply to all wheat; it is only the wheat produced over and above that which is used for foreign shipment. You understand that—in the present law.

Mr. RAMSLAND. Yes, in the present law.

Since 1949, costs of farming have gone up greatly, so that this smaller margin is no longer sufficient to do what Congress intended when it was passed. In addition, as the margin has come down, higher incentives have been offered farmers to resell their grain on the farm, thereby earning 13 cents per year payments. This is far more attractive than the reduced 5 percent margin, if the producer has sufficient storage space and adequate quality grain.

This results in grain being turned over to the CCC which could have been sold in the open market, had there been a higher resale.

When CCC sells at 105 percent or 108 percent, this becomes the market ceiling, and all buyers and sellers must govern themselves accordingly.

In the fall of 1964, Commodity Credit Corporation discontinued selling Spring wheat for unrestricted use. The grain markets immediately responded whereby the producer-farmer, for approximately 1 year, received a premium price for his grain. To give you an idea as to the importance of the Commodity Credit resale price, I will cite some market quotations, on November 23, 1965, Commodity Credit Corporation started offering 15 percent protein and higher spring wheat at 108 percent of the loan :

*Cash closing prices, Minneapolis Grain Exchange for week of November 22, 1965*

	Protein 15 percent	Protein 16 percent	Protein 17 percent
November 22, 1965.....	\$1.897½	\$2.017½	\$2.117½
November 23, 1965.....	1.86¾	1.985¾	2.08¾
November 24, 1965.....	1.82¾	1.917½	1.98¾
November 26, 1965.....	1.83½	1.91½	1.99¾
Maximum decline in prices.....	-.07	-.10¾	-.13

Any merchandiser, miller, farmer, or country elevator operator that owned wheat in this protein bracket suffered a large financial loss.

I think the problem before us today is simply one to determine to what extent Commodity Credit Corporation should influence prices in the marketplace. With the carryover stocks as of July 1, 1966, being somewhat under 600 million bushels, I am of the opinion they should go no lower. Certainly, with our present export markets, we will more than utilize the indicated 1966 production of all wheats. If we establish the resale price of Commodity Credit grain to at least 115 percent, then we will eliminate the in-and-out action of Government stocks that have plagued the market for the past several years.

The CHAIRMAN. I would like for you to explain that.

As I pointed out here, your world price would then become much lower than the price that would result from raising it to the point you say there. It would simply mean, in my opinion, that the Federal Government would be that much more out of pocket.

Mr. RAMSLAND. What I am simply saying is this, Senator: If you get the resale price to 115 percent, there is no incentive for the farmer to put his grain under the loan.

The CHAIRMAN. Under what?

Mr. RAMSLAND. Under the loan.

The CHAIRMAN. Well, you do not want him to put it under the loan.

Mr. RAMSLAND. He is going to have the protection of it, but he is not going to default on his loan. He is going to repay his loan and market the grain.

The CHAIRMAN. Not if you make it at 115 percent.

I do not see how it will go much higher than that. In other words, if it is within the world price, where would we sell it—if our price is higher than the world price?

Mr. RAMSLAND. Well, I am going to talk about this world price if I can.

Yesterday, you threw out a figure of \$1.60, and, I believe, and \$1.82.

The CHAIRMAN. \$1.82, that is right.

Mr. RAMSLAND. I do not know where these figures came from. I assume they are Department of Agriculture figures.

The CHAIRMAN. That is right.

Mr. RAMSLAND. I know today that we are making the world price. I don't know what kind of wheat you could buy from anyplace in the world at \$1.60.

The CHAIRMAN. That was in November, I guess, during the harvest, or December. Usually, the price is a little lower during the harvest. You know that.

Mr. RAMSLAND. As an example, today, our only competition in spring wheat, which is the area that I represent, is Canadian. Canadian 2CW is being offered today on a nominal basis, because they have not any to sell, at \$2.115 per bushel, and our price, either the Government price or the private grain trade, is \$1.96.

The CHAIRMAN. Who offers that to Canada? China? We will not sell to China, you know.

Mr. RAMSLAND. This Canadian price is being offered in Western Europe but at a purely nominal quotation, because they have committed all their stocks.

We are in a unique position today in the United States, in that you have a crop failure in Argentina, you have a crop failure in Australia, you have Canadian—all their shipping and transportation is tied up completely.

Senator YOUNG. If you will yield there? This is the case with Canada: They do have additional wheat, but they do not have transportation for it.

Mr. RAMSLAND. That is right, they cannot handle it.

The CHAIRMAN. If we had a bit of sense, we probably could charge off a lot of our huge debt by selling some of our surpluses abroad.

Mr. RAMSLAND. Well, the Department has done—

The CHAIRMAN. Instead of giving it away.

Mr. RAMSLAND. I think they have done an excellent job, particularly in the last 3 months. They have programs going now for Western Europe in the next 6 months that are going to dispose of a great amount of spring wheat that they own.

You want to remember one other thing: When you talk about the subsidy, increase the subsidy, when they are selling out of their stocks, their inventory value is going up at the same time; as the price goes up, their inventory goes up, inventory value.

Senator MCGOVERN. Mr. Chairman, you mean if we were not so concerned about the politics of the buyer we could sell more wheat overseas? Is that what you are suggesting?

The CHAIRMAN. Yes, that is right; exactly right.

Senator MCGOVERN. That is the way I feel.

The CHAIRMAN. We are just trying to take care of everybody, trying to keep some back to feed the poor starving Indians. I sympathize with them, but the Indians have starved for a hundred years. They have never been able to produce. The same way with China. We could not produce enough food here to supply the needs of those people.

As Senator McGovern states, if we leave the politics out and just go there and sell them on the open market and get our dollars back that we have been losing all these years, that is the thing that ought to be done.

Mr. RAMSLAND. I think the Department is really doing that right now.

The CHAIRMAN. I doubt it, to the extent that I would like to see it done.

Mr. RAMSLAND. Not with China and Russia but with Western Europe.

Senator YOUNG. Western Europe is a dollar market.

Mr. RAMSLAND. This is a dollar market.

The CHAIRMAN. Proceed.

Mr. RAMSLAND. The loan program was set up as a floor on grain prices to protect the producer. However, with the very small premium at 105 percent or 108 percent, there has been a continual flow of producer grain into Commodity Credit Corporation's hands each year, and a continual flow of grain from Commodity Credit to the domestic and export trade. If the resale price is set at 115 percent or higher and the supply-and-demand situation justifies prices near this level, then the Government would take over very little wheat each year and would sell very little wheat each year. Certainly, there is a tremendous cost factor to the Government in taking over 100 to 300 million bushels each year under defaulted loans and merchandising in competition with the producer and the private trade an equal amount of grain.

I am hopeful this committee will see fit to establish the resale value of at least 115 percent which will be binding upon the CCC so that the processor, merchandiser, cooperatives, and producers will once again be in a position to assume the risk of owning grain.

The CHAIRMAN. Thank you very much.

Senator Carlson, we are very glad to have you here at this time.

#### STATEMENT OF HON. FRANK CARLSON, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator CARLSON. Mr. Chairman, gentlemen of the committee, I would like at this time to submit a statement in regard to support for S. 2785.

As the chairman will remember, I had a bill for 110 percent. This is 115. I shall not read the statement, but I want to submit for the record, as a part of my statement, a signed letter from the president of the Kansas Farm Bureau, Walter Peirce, and the president of the Kansas Farmers Union, Martin Byrne, both favoring 125. So, I feel I am modest in my request.

If the chairman will permit, I will be happy to have this made a part of the record at this time.

The CHAIRMAN. Without objection, that will be done.

(The prepared statement submitted by Senator Carlson, together with the communication referred to, follows:)

Mr. Chairman, I appear before the committee in support of S. 2785, introduced by my colleagues, the Senator from South Dakota, Mr. Mundt, and the Senator from North Dakota, Mr. Young.

This bill, if approved, would amend section 407 of the Agricultural Act of 1949, as amended, and would prohibit the Commodity Credit Corporation from making sales of wheat at less than 115 percent of current support prices plus reasonable carrying charges.

During the debate on the Food and Agricultural Act of 1965, the distinguished chairman of this committee, the Senator from Louisiana, Mr. Ellender, stated that he would hold hearings on this and similar amendments.

As one who had an amendment pending at that time I want to commend the for holding this hearing.

The amendment that I offered at that time provided that the Commodity Credit Corporation should not make any sales of wheat at less than 110 percent of current support prices plus reasonable carrying charges.

It is generally agreed that the present release price of Commodity Credit Corporation stocks of wheat at 105 percent of the loan rate, plus carrying charges, is unrealistic and unfair to the wheatgrowers of the Nation.

The stocks of wheat in our own Nation and in the world should justify at least the 115 percent in the pending proposal and I fully support it.

Presently, we are applying ceiling prices on our wheat producers at levels which penalize in a most drastic manner the wheat farmer when he takes his production to market.

Price supports for wheat have been drastically reduced from an average at \$2 per bushel just a few years back to approximately \$1.25 per bushel this year. I do not believe it is fair to wheat farmers, nor that it is a sound national policy to prevent the market price from operating above these support levels if the market system indicates that it should.

Under the existing law, the Secretary of Agriculture is authorized to move Government-owned wheat into the market when the cash price reaches a level equal to 105 percent of the support price, plus carrying charges.

The Secretary has exercised this authority, and by so doing, has placed a ceiling price on wheat in the marketplace at this level, and in fact, in many instances has purposely sold wheat at these levels in order to hold down the price. In simple language, the Secretary has used the weight and size of Government stocks of wheat to break the market price. This, of course, reduces the income of the Nation's producers.

Government manipulation of prices impairs the market system and can ultimately destroy it.

The principle of securing an increase in the sale of this Government-owned wheat is approved by most of the farm organizations in our State, and while they favor a much higher release price than 115 percent, they all agree on the principle.

There is no doubt that the world needs more of our wheat, but the problem, of course, is to get it into the world markets through Public Law 480 and cash sales.

We need to get more wheat into the private trade channels of our Nation and under the 105 percent sales policy, the Government will own 90 percent of our wheat. This policy has a way of nationalizing the wheat business.

What we need is a system which will permit—which will make it attractive to people with capital to invest in wheat, so that the Government does not have to carry all of the wheat. One way to do this is to keep up a progressive program of reducing our stocks as rapidly as possible, but at the same time increase the Government sales to at least 115 percent of loan.

There is only one way that the Government can own less wheat, and that is for somebody else to own some wheat and the only way we are going to make it interesting for anybody with money to own wheat is to up the sale price.

The sale of Government-owned wheat at 115 percent of loan would raise farm income, reduce Government costs, and help restore a healthy grain market system.

I wish to submit for the record a copy of a letter dated July 27, 1965, jointly signed by Walter C. Peirce, president of the Kansas Farm Bureau, and Martin J. Byrne, president of the Kansas Farmers Union.

This letter states that resolutions adopted by both of these State farm organizations call for the release of CCC wheat stocks at not less than 125 percent of the loan rate, plus carrying charges.

KANSAS FARM BUREAU,  
*Manhattan, Kans., July 27, 1965.*

Senator FRANK CARLSON,  
*New Senate Office Building,  
 Washington, D.C.*

DEAR SENATOR CARLSON: This is a joint statement from Kansas Farm Bureau and Kansas Farmers Union on the release price of CCC stocks of wheat.

The section in the present law which governs the sale of wheat owned by the Federal Government authorizes the Secretary of Agriculture to move Government-owned wheat into the market when the cash price reaches a level equal to 105 percent of the support price plus the carrying charges. The Secretary of Agriculture has exercised this authority and, by so doing, has placed a ceiling price on wheat in the marketplace at this level and, in effect, created a needlessly low cash price for wheat received by producers.

In other words, this practice results in the unusual and absurd situation of using the weight and size of the Government stocks of wheat to break the market price. In addition the normal price relationship for high-quality wheat is disturbed and large quantities of high-quality wheat which are needed for our domestic and export markets are now being fed to livestock. This reduces the income of a segment of the Government's own citizens—the wheat producers.

If this section of the law covering the Secretary of Agriculture's authority to release wheat was changed so that wheat could only be released at a higher level, it would tend to give the cash market an opportunity to rise and the increased cash price of wheat would result in greater income to wheat producers.

At the present time, it appears to us that the legislation being considered by Congress affords an ideal opportunity to correct this situation by including a provision which would authorize the Secretary of Agriculture to sell Government-owned wheat at a price higher than the present authorization of 105 percent of support price plus carrying charges.

We urge you to exert your best effort to include in the current legislation a provision which will substantially raise the level at which the Secretary of Agriculture is authorized to move Government-owned wheat into the market.

Resolutions of both farm organizations call for release of CCC wheat stocks at not less than 125 percent of the loan rate plus carrying charges.

Sincerely,

WALTER C. PEIRCE,  
*President, Kansas Farm Bureau.*  
 MARTIN J. BYRNE,  
*President, Kansas Farmers Union.*

The CHAIRMAN. Our next witness is Mr. Robert L. Searles.

#### STATEMENT OF ROBERT L. SEARLES, CHAIRMAN, NATIONAL GRAIN TRADE COUNCIL, MINNEAPOLIS, MINN.

Mr. SEARLES. Thank you, Mr. Chairman. Gentlemen of the committee, I know you are pressed for time, so I will move ahead rapidly, with your permission. Thank you very much for allowing me to testify here.

My name is Robert L. Searles. I live in Orono, Minn., am a grain broker and trader, and appear before you representing the National Grain Trade Council as chairman of that organization.

It was my privilege to appear before this committee last June, testifying on the same subject during hearings on the farm bill under consideration at that time. I will not try to restate our position in detail. It will probably suffice to remind you that the many grain

markets, large and small, that make up the council felt that the minimum resale price for CCC wheat stocks should be raised from the current 105 percent of loan levels to a higher level. We recommended 120 percent of loan levels plus reasonable carrying charges.

The objectives of the President's 1965 farm message would all be advanced by such a change. Increased income in the marketplace for farmers, a decrease in unnecessary and expensive CCC market activities, commercial interests carrying more of their inventory needs rather than leaning on CCC stocks, all these are still goals to be achieved.

What is new at this time is that we can review the CCC wheat resale record for the past several months and try to learn what national policy has been in the recent past.

Briefly, the Commodity Credit Corporation was an aggressive seller of wheat up to October 1964 when it changed its spring wheat resale policy from 105 percent to infinity by removing its stocks from the market at any price. The same action was taken for winter wheat in the spring of 1965. The Corporation has now reversed itself again. On December 15, 1965, it again offered wheat for unrestricted use, this time at 108 percent plus carrying charges.

The most obvious question in this zig-zag performance is: Has the wheat supply and demand situation so changed as to justify these fluctuating CCC decisions?

Most people in the grain marketing business can point to overall basic trends in production and disappearance of wheat, but no set of facts can justify such an erratic record.

If the public competitive wheat markets were to gyrate in such headlong price moves, I am sure that a public investigation would be held to see if such violent pricing action were in the national interest. Is it in the national interest for the CCC, managing such a vast stock of wheat, to be so unpredictable and undependable? Just what purpose lies behind these various headlong sales policy changes, changes which are arrived at secretly and then exploded without notice on the agricultural markets?

Since farmers are marketers as well as producers, I would think that such uncertainty would make prudent marketing decisions difficult at best. The wheat farmer who sells his grain just prior to the removal of a CCC ceiling probably feels he has been deceived by his own Government. So does the one who has held his wheat for better market return later on, only to find that the ground rules were changed overnight and his market has been summarily preempted by a new CCC selling policy. In either case a wheat producer can easily end up shortchanged by CCC vacillation. What marketing guidelines can he depend on? What is Government policy in this area?

I referred to national interest a moment ago. Reserve stocks of wheat have been advocated by the National Grain Trade Council and many other organizations concerned with national agricultural policy. Many consider this of prime national interest. I would like to call your attention to the reserve problem because resale policy is intimately related to such reserves.

Over a year ago we recommended establishing an adequate wheat reserve. The Department of Agriculture then asked that the matter

be deferred until the farm bill had been passed. A separate proposal was to be made to cover reserve requirements. None was forthcoming. Now, the forecast of the supply and demand situation for wheat is taking on the following appearance; these are estimates made by reputable trade people. As estimates, obviously, they are not exact, and nobody contends they are. These are projections:

	<i>Millions of bushels</i>
Carryover, July 1, 1965-----	819
Production-----	1,327
	<hr/> 2,146
Total supplies-----	2,146
Total estimated disappearance-----	1,567
	<hr/> 579
Carryover, July 1, 1966-----	579
Estimated production-----	1,174
	<hr/> 1,753
Total supplies-----	1,753
Estimated total disappearance-----	1,467
	<hr/> 286
Estimated carryover, July 1, 1967-----	286

It would seem that the maintenance of an adequate reserve is a vital national need. It would also seem that the unpredictable reselling of U.S. wheat stocks, with no plan for conserving a basic reserve and with no plan for meeting today's needs with a possible increase in acreage constitutes no policy at all. What national need is met by meaningless market intervention through a vacillating resale program while long-range considerations are ignored?

Other parts of the world have suffered crop failures. Are we immune to a failure? Can we offer wheat stocks to control markets when the need is to encourage greater production and to establish and protect a national reserve?

I bring this up here because the reserve question has to be considered along with resale policy. This committee is far better equipped to set down these basic guidelines than is the operating office, bureau, or department carrying out the policy.

We in the grain marketing business wholeheartedly support this bill under consideration. We think that Congress should set such a broad policy for the protection of everyone, whether a buyer or a seller. There are too many diverse interests in this country with a stake in reasonable Government policies to allow the present vacillating, secretive, and unpredictable policymaking to continue.

Thank you, Mr. Chairman.

The CHAIRMAN. Any questions?

Senator YOUNG. You would have the resale price set in relationship to the expected carryover of wheat each year?

Mr. SEARLES. I think this is a reasonable way to look at it. Actually, Government policies, I believe, should be set on a long-range projection, not on, say, week-to-week, or month-to-month situations.

I believe a carryover at the end of each year, estimated production, could easily constitute the guideline which I refer to here.

Senator YOUNG. I really think something like this has to be done.

Mr. Chairman, I thought that the Department of Agriculture policy of not selling any wheat at all was wrong—it put them in an

untenable position. Sometimes they would have had to sell. If they had set this resale level at 115, 120, or 125 percent, you would not have had this extreme shift from no sales at all down to 108 percent. This is too wide a range. No one can guess what the future is going to be under circumstances such as that.

I think there is merit in your proposal.

I remember when I first came to the Senate, I think the first day—I served in the Appropriations Committee, a rider was put on a bill to prohibit the issuance of export licenses for any wheat when stocks reached a minimum of 175 million bushels. At that time we recognized that we did not want to export any more wheat when our stocks reached this minimum.

I think now we really should establish a reserve of some kind.

Mr. SEARLES. We would have to determine what level that should be.

Senator YOUNG. It was the Appropriations Committee that determined it at that time.

The CHAIRMAN. Well, I presume if you would do that and hold the wheat back, with the shortages abroad, that your wheat price would go up; would it not?

Speculators would make a bunch of money.

Mr. SEARLES. I think the farmers would start making more money.

The CHAIRMAN. We are protecting them now pretty well. We are giving them, as I said on many occasions here, full parity on what they produce for domestic consumption.

Mr. SEARLES. I realize the Government program is paying them a lot.

The CHAIRMAN. Certainly, the only people suffering a little bit now may be the speculators.

Senator YOUNG. Mr. Chairman, there are two advantages: As the price goes up, there is very little that goes under Government storage, and as there becomes a shortness of supply and you need an increase of production, you do not need diversion payments anymore. So, the Government does save money. Of course, you do have the problem of increased export subsidies. That is one cost that goes up.

The CHAIRMAN. I am very much in hope that by the end of the next 4 years—that's the length of time the bill we have on the statute books has to run—that we will have both corn and other feed grains and wheat out of the support program. Let them go on their own after that.

Mr. SEARLES. This would be an ideal situation.

The CHAIRMAN. Well I know.

At this point I desire to place in the record a statement by Senator Roman Hruska from Nebraska.

(The statement referred to follows:)

STATEMENT OF HON. ROMAN L. HRUSKA, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Mr. Chairman, members of the committee, I appreciate the opportunity to present my views on S. 2785.

I wholeheartedly support the bill and urge its favorable consideration by this committee and the Senate.

S. 2785 has a clear purpose: it would revoke the present authority of the Commodity Credit Corporation to dispose of its stocks of wheat at 105 percent of the current support price plus carrying charges and establish a new resale level of 115 percent plus charges.

The proposal under consideration is not new. It has been advocated by major farm organizations, farm State Congressmen and others for several years. Only by determined opposition of the Secretary of Agriculture and the administration has the present provision been retained.

Mr. Chairman, the Secretary of Agriculture, by his continued abuse of the present authority, has made passage of this bill imperative.

Let us consider the facts. We are currently witnessing the most recent attempt by Secretary Freeman to depress wheat prices by dumping CCC stocks on the open market for unrestricted use. This policy, announced in mid-December, is having its desired effect: it is forcing our wheat farmers to join the "voluntary wheat program"; it is stabilizing or depressing wheat prices. But, most important, it will mean our wheat farmers will enjoy increased earnings only by reliance on the subsidy check from Washington.

The present sales policy brings bitter memories to mind. In the fall of 1964—the presidential campaign—50 million bushels of wheat were dumped on the market by the CCC. The result: Secretary Freeman got his sign-up and wheat prices were stagnated—but at what cost? Our wheat farmer—a hard-pressed group to begin with—lost about a quarter billion dollars in net income from the 1964 crop, according to conservative estimates.

In all, more than 500 million bushels of wheat have been sold by the CCC from its stocks over the past 5 years.

In his testimony before the House and Senate Agriculture Committees last spring on the Food and Agriculture Act of 1965, Secretary Freeman referred to the wheat dumping of the fall of 1964 as an "abnormal situation" which "will not occur again, and we expect that in future years, Commodity Credit Corporation sales will be relatively small."

The current CCC sales program is a clear breach of this pledge. It is the overriding reason this bill should be enacted.

Mr. Chairman, recently I have written Secretary Freeman concerning this deplorable situation. I ask unanimous consent that my letter, along with the reply, be made a part of your record.

You will note that Under Secretary Schnittker in replying for Secretary Freeman said there was no commitment by the Department to Congress that would prevent wheat sales when conditions justify such action.

This response indicates that Secretary Freeman does not feel obligated by his statement to this committee last spring to refrain from further wheat dumping practices.

In view of this, in view of the current dumping, I urge this committee to act favorably on S. 2785 without delay.

U.S. SENATE,  
Washington, D.C., December 22, 1965.

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

DEAR MR. SECRETARY: Your recent decision to dump stocks of Government-owned wheat onto the domestic market for unrestricted use was not only bitter news for the wheat growers of Nebraska and the Nation, but a direct contradiction of testimony you gave the Congress earlier this year.

The purpose of this letter is to urge that you reconsider this unfortunate decision. You could have no better Christmas present for American agriculture than to modify or, better yet, rescind your dumping order.

The effect of this order will depress the price of wheat. It will reduce the income of our wheat farmers. The decision will aggravate the critical shortage of boxcars. Already more than 100 elevator operators storing Government-owned wheat have been suspended by your Department because of their inability to obtain boxcars to ship wheat on your order for export to India and other nations under the food-and-peace program. Further shipping orders now will mean more suspensions for elevator operators. These businessmen, many of whom are in dire financial difficulties because of drastic reductions of commodity inventories can ill afford further financial blows.

One is reminded of similar action taken last year when 50 million bushels of wheat were sold by the Commodity Credit Corporation during the presidential campaign. Those sales were advertised as preventing a price increase in the cost of bread to the voting public. They also served to insure substantial compliance with your so-called voluntary wheat program. But they cost our hard-pressed farmers about a quarter of a billion dollars of income, according to conservative estimates.

In all, more than 500 million bushels of wheat have been disposed of by the CCC in the past 4 years.

This year Congress considered an effort supported by the major farm organizations to increase the price floor under which the CCC could dispose of its stocks. In your testimony to Congress on the farm bill last April, you referred to the CCC wheat dumping of a year ago as an "abnormal situation" and said, "it will not occur again." You urged the Congress not to remove your present authority to dispose of CCC stocks at 105 percent of loan value plus costs. Your plea was acceded to and the authority was retained in the Food and Agriculture Act of 1965.

Mr. Secretary, improvements have been made in farm income this year, a situation we can all be thankful for. The latest estimates of your Department indicate realized net farm income will be up a billion dollars over last year. However, the same source attributes this rise "mainly from a very favorable price situation for livestock." Gains were also registered from marketings of vegetables and oil-bearing crops which are primarily soybeans. It is notable that in none of these areas are there any of your support programs.

Quite frankly, Mr. Secretary, I am thankful that your Department doesn't have large stocks of these products to engage in price-wrecking dumping practices.

In Lincoln last week you described your decision to dump CCC wheat as representing the concept of the "ever-normal granary into action," and resulting in "price and income stability."

It seems your idea of stability for the wheat farmer means stagnation of income.

It would be appreciated if you could advise me why you have felt it necessary to dispose of CCC wheat stocks at this time, how long you expect this present policy to continue, and how you reconcile your current dumping decision with your pledge to Congress earlier this year.

With kind regards.

Sincerely yours,

ROMAN L. HRUSKA,  
U.S. Senator, Nebraska.

DEPARTMENT OF AGRICULTURE,  
Washington, January 14, 1966.

Hon. ROMAN L. HRUSKA,  
U.S. Senate.

DEAR SENATOR HRUSKA: This is a further reply to your letter of December 22, 1965, concerning wheat sales policies of Commodity Credit Corporation. First, I will cover the announcement made on November 23 that CCC would sell high protein wheat at the market but not below 108 percent of the current support price, plus carrying charges.

This action to return to the marketplace some of the high-protein wheat removed under past support programs was taken to moderate recent tendencies to price extremes for such wheat and to unevenness in its being offered from other sources for domestic needs.

We did not expect the announcement to have a material effect on the market price for high protein wheat for two reasons. In the first place, our announced sales price protected the existing market premiums. In the second place, for some time we have had in effect an exchange program under which millers could exchange ordinary Hard Winter wheat for High Protein Hard Winter wheat at existing market premiums and only a moderate volume of wheat has been exchanged.

Our assumptions have been borne out to date as evidenced by the very small volume of High Protein wheat we have sold. Through January 6, 1966, we had sold less than 60,000 bushels of Hard Red Winter wheat (13 percent and higher protein). Since our announcement was made on November 23, market premiums

have fluctuated both above and below the rates which prevailed on that date and are now very little different from those of November 23.

In like manner the announcement on December 15 that we would sell ordinary wheat has had little effect on the market, and sales of ordinary Hard Red Winter wheat have been in relatively small volume amounting to 677,432 bushels through January 6, 1966.

Far from breaking the market, our action has stabilized it. On January 6 on the principal kind of wheat produced in Nebraska, the price in Kansas City (No. 1 Hard Winter) was 4 cents over the price of November 23 and 2 cents over the price of December 15.

Making limited supplies of CCC stocks available on this basis to avert extreme market developments is in the long-run interests of producers and consumers in the same way that CCC acquisitions of wheat in settlement of price support loans in periods of low prices has been in the producers' interest. This is the traditional ever-normal-granary concept.

Wheat sales in the fall of 1964 were related to the transition to the certificate type wheat program. It was necessary for the Department to take unusual actions to insure on the one hand that no group received a windfall, and on the other that no group was faced with a hardship. CCC sales policy following passage of the Food and Agriculture Act of 1965 is not comparable to that of the earlier transition period. There has been no commitment by the Department that would prevent wheat sales when conditions justify such action.

I share, of course, your own appreciation for the improvements recorded in farm income last year. I believe our farmers can look with confidence toward further gains in 1966.

I believe our CCC sales policy must be conducted consistently in ways that serve the best interests of producers, consumers, and taxpayers. Consequently, the policy must be flexible enough to permit quick response to new conditions, new national needs, within the framework which the Congress has provided.

Sincerely yours,

JOHN A. SCHNITKER,  
*Under Secretary.*

Senator McGOVERN. Mr. Chairman, may I direct a question here to Mr. Searles?

Your table here shows next year we will be down to 286 million bushels. Do you think that is a big enough reserve, even for our own security?

Mr. SEARLES. Under the circumstances that exist today, I would hesitate, if I were in a policymaking position in the executive branch of this Government, to allow the U.S. reserves to drop to that level.

Senator McGOVERN. If they get rid of this silly restriction that is making it hard for us to sell wheat to the Soviet Union, they might come in here with an order of several million tons of wheat. That would take the whole thing, would it not?

Mr. SEARLES. Actually, at some point, whether the policy is set up either by the executive branch or the Congress, one will have to be set up by just the disappearance of the reserve itself. You will run out of wheat before you have a policy, or the policy will be almost forced on us by the fact that the supply will disappear.

As a matter of fact, the very lowering of these projected carryovers is leading to the decision which was just made by the Department on spring wheat acreage—not to pay for additional retirement of acreage this year.

In other words, there is a sort of reluctant moving toward recognizing that you need a reserve policy by stopping the cutting back on production in some respect now.

Senator YOUNG. This would mean further cutting back, if producers still have to take a 15-percent mandatory reduction.

Senator McGovern. I agree with Senator Young. I think it would be helpful to have some guidelines. I think this formula you have suggested here makes a lot of sense.

Mr. Searles. I think, in essence it is a sensible way to go at it. It does not pretend to be an exact scale. It is not alleged to be.

The Chairman. Thank you very much.

Mr. Searles. Sir, may I introduce a statement for the record of Ralph Bagley, my successor as president of the Grain Exchange of Minneapolis.

(The statement follows:)

**STATEMENT OF RALPH C. BAGLEY, PRESIDENT, MINNEAPOLIS GRAIN EXCHANGE**

The Minneapolis Grain Exchange has long been recognized as one of the largest cash grain markets in the world. It is also a market in which grain futures contracts have been traded for a great many years.

In our opinion the buying and selling activities of the Commodity Credit Corporation have seriously impaired the efficiency with which grain normally would flow through the market from producer to consumer.

As a consequence of Government-owned grain being offered for resale at prices so close to loan value or cost, the competition that is an integral feature of a free market is endangered.

It is the recommendation of the board of directors of the Minneapolis Grain Exchange that a resale formula higher than presently exists be required as to CCC inventories.

Only by so doing does it seem that producers and consumers alike can be benefited by the forces of competition and free enterprise which historically have made our marketing system the most efficient in the world.

The Chairman. Our next witness is Mr. Ken Kendrick.

**STATEMENT OF KEN KENDRICK, EXECUTIVE VICE PRESIDENT,  
NATIONAL ASSOCIATION OF WHEAT GROWERS**

Mr. Kendrick. Mr. Chairman, my testimony is still not officially prepared, but I want to make a short statement.

The Chairman. If you desire, you may cover the points and then present a full statement which will be incorporated into the record.

Mr. Kendrick. I want to speak in behalf of the National Association of Wheat Growers. I represent wheat farmers. The only interest we have is the interest of wheat producers.

No. 1—First of all my association would like to thank the committee for supporting the wheat bill last year. In the last 3 months I have attended 10 State wheat conventions, and the new wheat program is very well received by the wheat producers of the country. They like it. It is increasing farm income this year.

I would like to say, Mr. Chairman, that while I was at these various State wheat conventions, I made it a point to ask farmers: "What is the market price for your wheat at your elevator today?" And it ranged from 10, 15, 20, and in a case or two, 25 cents above the loan price.

It is our judgment the cooperating producer this year, if his market price has averaged 10 to 15 cents above the loan, the blended price cooperating producers receive will be in the neighborhood of \$2 per bushel.

Now, this does improve farm income. Just how much, we will not know until the marketing year is over.

But I would like to say that our association believes that the present 105 percent of resale should remain at this level. The Secretary has demonstrated already that this is the minimum and not the maximum for he is presently using 108 percent for resale and can go up to 110, 115 percent, or higher.

I want to emphasize two points only. No. 1, that our farmers like the substitution clause. It tends to get wheat grown on traditional wheat acres and corn and feed grain grown on traditional feed grain acres.

Some have testified—I have not had an opportunity to read any of the testimony. I finally got to the office about 9 o'clock this morning, and I do not know what time I am going to get home. The snow problem is rough out in northern Virginia.

But as far as the substitution clause is concerned, some have testified, "We should raise the resale price on wheat and leave feed grain at present levels." We think this would endanger the continuing use of the substitution clause.

I just want to report to you that most of the wheat and feed grain farmers that I know of, and most wheat farmers are also feed grain farmers, think a great deal of the substitution privilege, because it allows them to farm the land the way they want to, and it tends to get wheat back on wheat acres and feed grain on feed grain acres, and they like it very, very much.

To disturb the price relationship between these two would tend to lessen the utilization of wheat and could endanger the Secretary using it, and this we do not want to see happen.

The only other point I want to make is that if you increase the resale price of wheat to 115 percent of the loan rate plus carrying charges and 13 protein, the resale price would equal, on January 1, about \$1.57 or \$1.58.

Wheat stocks are going down, and this will work when stocks are in short supply.

The point I want to make—and many do not understand, Mr. Chairman—is that in great areas of the commercial wheatgrowing country, the farmer's present allotment compared to his land available to plant wheat on is only one-third of his cropland, and in a few areas it is only one-fourth of his cropland. And, farmers are historically famous for taking chances and gambling.

Once the price at the elevator to the farmer gets in the range of \$1.60 or \$1.65, he is going to get to thinking about it, he is going to get his pencil out and figure: "If I increase my wheat allotment 50 percent, multiply it by this potential \$1.60 per bushel, or increase it a hundred percent"—and they can increase 100 percent in many areas. In my own area, it would be no problem for me, if conditions were right at seeding time next year, to increase my plantings by a hundred percent, and still have land left over to summer fallow. This is true in a good many areas of the commercial wheat-producing country.

So, farmers get their pencils out and figure, and if that price gets up to within the range of \$1.60 to \$1.65 at the elevator, and we have a tremendous overseeding, he might be helped for 1 year, and we would get millions of bushels on the market. He does not have a loan, if he seeds outside the program, and we are fearful this can happen, and if it does—the market price will drop and farm income is

cut. We just do not agree that the time is here when we do not need farm programs.

We think that wheatgrowers have surplus-producing capacity to produce 1.8 to 2 billion bushels any year there is no program, and I just do not see a market for this much wheat.

I think we could produce 200 or 300 million more than the market will take.

This is the position of our association, gentlemen, the present program which you gentlemen supported is increasing farm income. We urge the committee not to change the resale price but to give the 4-year voluntary wheat program an opportunity to operate for the benefit of both producers and consumers.

Thank you, sir.

The CHAIRMAN. Thank you very much, sir.

(Mr. Kendrick's prepared statement is as follows:)

Mr. Chairman and members of the committee, my name is Ken Kendrick and I am executive vice president of the National Association of Wheat Growers. We appreciate this opportunity to present our views with regard to the release of CCC stocks at the minimum of 105 percent of the loan rate—as opposed to a higher resale price.

We would like to take this opportunity to express to the members of this committee our very great appreciation for your support of the Food and Agriculture Act of 1965. Having attended 10 State wheat conventions in the past 3 months, I can report to you that the new wheat program is very well received by growers. They believe the program will provide opportunities to further improve income and maximize our exports. During the term of the Food and Agriculture Act of 1965, we believe efficient producers will have an opportunity to earn parity of income.

Indications are that income for wheatgrowers will be up about \$250 million in 1966 compared to 1964-65. In most wheat areas the market price for wheat is averaging 15 cents or 20 cents above the support level thus cooperating producers should average about \$2 per bushel for their wheat in 1966. The National Association of Wheat Growers believes it is in the long-range interest of farmers to operate our program in a manner to provide reasonable profits for efficient producers year after year. That once our stocks are down to meet national reserve needs we should produce for the needs of the marketplace and keep our stocks down to within a range somewhere between 400 and 600 million bushels. In the long run, basic market prices for wheat are largely determined by the visible supply of wheat. We favor adequate reserves but not high enough to force market prices down to or below loan levels.

We believe that wheatgrowers have the capacity to produce in excess of our domestic needs, commercial exports, and concessional sales under Public Law 480. We have the land, the know-how and the ability to produce in the range of 1.8 to 2 billion bushels of wheat. Even with increased concessional sales to feed the hungry, we do not see potential markets of this magnitude in the near future. If potential markets plus increased concessional sales indicate, we should relax our acreage allotments and produce for the needs of the marketplace maintaining a reasonable reserve for emergencies. To produce for our needs brings stability of income to producers year by year. This we need.

The National Association of Wheat Growers favors maintaining the present minimum of 105 percent of the loan rate for resale of CCC stocks. Many have said that we should substantially increase the resale price of wheat and leave feed grain at present levels. We oppose doing this because it could jeopardize the use of the substitution privilege.

#### IMPORTANCE OF SUBSTITUTION CLAUSE TO WHEAT AND FEED GRAIN PRODUCERS

In the voluntary wheat and feed grain program of 1964-65, cooperating wheat and feed grain producers were afforded the opportunity to seed wheat on feed grain acres and feed grain on wheat acres. This provision in the bill proved to be very popular in both wheat and feed grain areas for several reasons:

1. This allowed both wheat and feed grain producers an opportunity to seed those crops best suited for the land.

2. It maximized freedom of operation for the farmer and tended to reduce outlay of capital expenditures for operating the farm.

The 4-year voluntary Food and Agriculture Act of 1965 continues the substitution privilege for wheat and feed grain producers. For the past several years, only about 35 to 40 million bushels of wheat was fed. Under this new program estimates indicate that 90 to 100 million bushels of wheat will be fed. Estimates indicate too that use of the substitution privilege will result in a net increase of 2 to 2½ million acres of wheat seeded which indicates reduced feed grain production. This extra wheat is grown on feed grain acres and is entering the feed grain market; thus, the present price relationship between wheat and feed grain appears to be about right. To substantially increase the resale of CCC stocks of wheat without a corresponding increase in the resale price of feed grains could mean less utilization of wheat and result in forcing the Secretary to abandon the use of the substitution privilege. Farmers do not want to jeopardize the use of the substitution privilege.

May we point out that the present requirement of 105 percent of the loan rate is the minimum and not the maximum. On November 23, the Secretary announced the unrestricted sale of CCC stocks of wheat at 108 percent of the loan rate plus carrying charges. Thus USDA did not use the minimum of 105 percent of the loan rate. Since the announcement, sales of wheat from CCC stocks have been rather light—from November 23 until January 25—under this provision sales from CCC stocks have amounted to only 1.3 million bushels. The market price has remained strong.

It should be noted that 108 percent of \$1.25 provides a minimum margin for the trade of 10 cents per bushel. Whereas, for a number of years when the price support of wheat was about \$2 per bushel, and wheat was released at 105 percent of the loan rate \* \* \* this provided the same 10 cents per bushel margin for trading purposes. The trade successfully used this 10 cent minimum margin for many years.

If the resale price is substantially increased and stocks are down—and it appears now that our stocks of wheat will be perhaps below 700 million by next July—this could improve farm income for 1 year—but it could also encourage many farmers to stay out of the program and produce more wheat than the market will take. Thus, a substantial increase in the resale price of wheat could result in some increased income one year and a lowering of income in succeeding years.

In our judgment, farmers will not be able to take full advantage of an increase in resale price. Suppose the resale price is increased to 115 percent of the loan price—because most farmers need cash at harvest time when prices are usually lower and many smaller or medium size farmers do not have sufficient storage or capital to hold their wheat—some sell when prices reach 108 percent of the loan price; some sell when prices are 112 percent and very few would be able to sell at the top price of 115 percent of the loan value. The average would more likely be 108 percent in this case. There are those who maintain that if we increase the resale price of CCC stocks to 115 percent of the loan rate, this results in improved income for both the complier and noncomplier, that it will not result in less program participation by farmers. We believe that many farmers will take a chance on market prices staying up and seed outside the program. Let us examine this approach in depth.

My figures indicate that 115 percent of the loan price equals \$1.43¼ per bushel. This is the minimum price. Add in-and-out charges for July, \$0.01¼, then add monthly carrying charges of 0.01½ cents per month for 5 months; then add 0.04½ cents premium for 13 protein; this takes us to January 1, the mid-point of the marketing year so the average resale price for the marketing year would be \$1.57½ per bushel.

Most of our wheat is grown on summer fallow ground; in these areas present wheat allotments average about one-third of the cropland—some areas as low as one-fourth of the cropland. Surpluses are down about right for needed reserves; market price is about \$1.60. Potential markets look good; the rains came at seeding time. Many, many farmers in the summer-fallow area will not seed just up to one-half of their cropland as they normally did when acreage allotments were not in effect. Many areas will increase their seeding by 50 percent, some areas will double their seeding, and a few will seed three times their allotment. The cropland is available. They will not do this every year, but one bumper crop is all that is needed to break the market price. He is not eligible for a loan, he has greatly increased his cropping expenses, millions of

bushels of wheat are placed on the market, down goes the market price, and the net income of all wheat producers—both compliers and noncompliers—and the voluntary wheat program is placed in jeopardy.

Gentlemen, this is the main reason the National Association of Wheat Growers opposes a substantial increase in the resale price of CCC stocks. In the long run, with the surplus producing capacity we now have, it will result in less income to producers, not more.

We believe the present 4-year voluntary wheat program is a good program and that if given a chance to operate it will maximize the utilization of wheat both at home and abroad. It is improving wheat farm income. We urge the committee not to make this change, but give the program a chance to operate for the benefit of both producers and consumers.

The CHAIRMAN. Our next witness is Mr. Jaenke.

**STATEMENT OF EDWIN A. JAENKE, ASSOCIATE ADMINISTRATOR,  
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,  
U.S. DEPARTMENT OF AGRICULTURE**

Mr. JAENKE. Mr. Chairman, we appreciate the opportunity to appear before your committee to summarize the presentation and present the Department's views on this matter.

I must apologize to you and the other members that we do not have a copy of our statement. It is being reproduced right now. We have been bothered with a shortage of people, too, as the result of the snow-storm. I would appreciate having the complete statement inserted at this point in the record. I will summarize it.

(The statement is as follows:)

The Department of Agriculture appreciates the opportunity to appear before this committee and to present our views on proposals to change the CCC sales price authority.

The Department is in general accord with the objectives of this legislation. However, we believe these objectives have largely been accomplished or can be accomplished without any radical changes in section 407 of the Agricultural Act of 1949 as it relates to CCC sales authority. Furthermore, Mr. Chairman, we believe there are serious disadvantages to our agricultural economy and to farm programs should the flexibility now inherent in the act be destroyed.

It has been argued that this legislation would strengthen farm income, but let us not lose sight of the fact that the Food and Agriculture Act of 1965 is already proving to be effective in raising farm income. Income from the 1966 crop will probably be \$200 million higher than that from the 1965 crop, and this is on top of the \$400 million a year added by the legislation enacted in April of 1964. Producers will receive full parity for their 1966 crop wheat for domestic use.

It has been argued that the proposed legislation would reduce Government takeover and handling of wheat, but let us note that the volume of Government involvement in the wheat business has already gone down substantially. In the 4 years 1962-65 an average of about 235 million bushels a year were put under price support, while in the previous 4 years the average was around 405 million. Takeover of wheat by the Government after loan maturity date will average only about 100 million bushels for the past 4 years, compared with around 270 million the previous 4 years. In the last 2 years, it has been 70-75 million bushels and will probably be down further this year.

It has been argued that the proposed legislation would increase market activity, but information from the Commodity Exchange Authority indicates that the volume of futures trading in wheat in 1965-66, judging by the first half of the year, will probably be the largest in the past 10 years.

My point is that recent and current programs are already accomplishing the results toward which the proposed legislation was originally directed, and it is now behind the times.

The major objectives of wheat legislation are being met and can be met increasingly well. Income is being increased, stocks are being reduced, Gov-

ernment inventories and costs are being cut, wheat is competing for export and feed markets.

But aside from the fact that the objectives of the bill are being met, our analysis indicates the legislation, if enacted and if effective, would lead to some undesirable results.

Let us explore these prospective results in some detail. One conclusion about the bill is this: It would increase Government program costs.

An objective of the wheat program is to hold down Government costs by holding down costs of storing and handling inventories and of subsidizing exports. Currently, U.S. wheat market prices are above world price levels, so any rise in wheat prices would push Government export costs higher.

Wheat subsidy payments are only a part of Government wheat export costs. More than 50 percent—in some years as high as 77 percent—of wheat exports are made possible by Government-financed foreign assistance programs. The nations in need of substantially greater amounts of wheat have little, if any, opportunity to broaden their purchases except under U.S. foreign assistance programs.

Every 1-cent-per-bushel increase in wheat prices boosts Government export costs about \$8 million at current export levels. The proposed increase in the legal minimum to 115 percent of the wheat loan rate would increase the minimum selling price 13 cents per bushel from the current 105 percent legal minimum and 8 cents per bushel above the minimum level now in effect. If market prices followed, Government export costs would be increased in a range of \$65 to \$100 million yearly.

The only alternative to an increase in Government costs would be a reduction in the loan rate. This would defeat other purposes of the program.

Here is another major point: The bill, if effective, would kill off the wheat-feed grain substitution provision.

Under this provision, participants in the wheat and feed grain programs are able to interchange acres of wheat and feed grains. This provision is widely accepted and acclaimed by producers. It provides them the opportunity to operate their farming units in a more efficient manner.

For this provision to be continued, wheat and feed grain prices must be in a competitive relationship. In the 1966 programs the spread in loan rates between \$1 for corn and \$1.25 for wheat will be wide enough to strain the price relationship without raising the wheat resale price. But raising the resale price without dropping the loan rate by a corresponding amount would bring an out-of-line relationship between wheat and feed grain prices and would force the Secretary of Agriculture to rescind this provision.

A related conclusion about the bill is this: It would adversely affect the expanding use of wheat for feed.

Higher wheat prices would reverse the current trend toward broader domestic consumption of wheat. This would hit hardest in the feed-deficit areas of New England, the Middle Atlantic, and the Southeastern States where dairy and poultry producers use feeds with wheat as an ingredient. Livestockmen in the Pacific Northwest would also feel the effect. From the standpoint of the wheat producer, the feed market is related to the acreage allotment. It would appear that 100 million bushels of wheat will be fed this year. This is equal to 4 million acres extra allotment.

The bill, if effective, would make wheat less competitive in world markets. A keystone of the Food and Agriculture Act of 1965 is pricing to bring U.S. market prices into line with world commodity prices. Higher U.S. wheat prices would destroy this effort.

In relation to general economic policy, the bill has another unfortunate aspect: An increase in the legal minimum CCC sales price would work against President Johnson's policy of maintaining prosperity without inflation. In his economic message to the Congress, the President stated: "One of the problems of prosperity we face in 1966 is that of achieving stability of prices and costs at full employment. \* \* \* Where available, surplus Federal stockpiles will be used to prevent unnecessary shortages of materials and commodities. \* \* \* Defense procurement, agricultural, and other policies will be adjusted where necessary to avoid contributing to instability of prices \* \* \*."

Whether an increase in the CCC minimum sales price would be an effective way to increase farm income is open to question.

The freezing of CCC stocks—and this is one of the effects of increasing the minimum sales price—would not automatically bring with it higher prices to

farmers. The effect of this would not necessarily come when farmers market most heavily. Only those persons who hold wheat for several months would realize any price increase. Some of the holders are farmers, others are not. Those in strong financial position might be able to reap windfall profits at the expense of both the Government and farmers.

Now let us see how the present legislation is operating. Is any change necessary at this time?

Under existing legislation, CCC sales policy has been aimed at maintaining reasonable market stability—to avert wide swings in prices, supplies and utilization. CCC has not placed grain on the market as soon as the market price reached legal minimum sales prices. A glance at the season average price received by farmers disproves such a charge.

During the last 5 years when the wheat surplus has been worked down substantially through Government dispositions, the season average received by farmers has average 3 to 8 cents per bushel above support prices. In contrast, during the preceding 5 years, these average prices ranged from 3 to 10 cents per bushel below support prices.

Obviously, the prices received would not have exceeded the loan rates in these recent years if CCC sales policy had not been judiciously exercised.

A case in point is the current situation. Even now, the market price for most wheats is above the legal minimum of 105 percent of the current loan and around the minimum established for current sales of 108 percent of the current loan. The 108-percent level was adopted to keep CCC minimum prices at the current market price when domestic-use offerings were resumed. In addition, the 108-percent level reflects an upward adjustment of 10 cents per bushel on the average, which is the same as the margin reflected by 105 percent of the total support of \$2 per bushel for domestically used wheat.

As I noted previously, futures trading in wheat is active. Advocates of a higher resale price for CCC wheat maintain that Government sales hamper market and trade activity. Obviously, Government sales of wheat are a factor in the market. Just as obviously, however, they are but one factor, if the volume of futures trading is any measure of market activity. During the July–December 1965 period, Government dispositions of wheat amounted to 187 million bushels, only slightly less than the 194 million bushels disposed of during the same period in 1964. Yet, wheat futures trading volume during July–December 1965 soared to 3,225.4 million bushels, in contrast to a volume of 1,911.3 million bushels in same period of 1964. So, while futures trading volume was increasing substantially over the previous year, Government wheat dispositions remained about the same.

This is duplicated during the 12-month period from July 1964 through June 1965 as compared to the previous year. Futures volume dropped in the 1964–65 period to 2,825.9 from 5,354.9 in the 1963–64 period. What about Government wheat dispositions? They were 341.7 million bushels in the 1964–65 period when trading volume was high and 310.8 million bushels in the 1963–64 period when volume was lower.

In looking back over the past 5 years, the stability maintained in the wheat sector of agriculture offers substantial evidence as to the soundness of the current method of moving CCC wheat stocks into use. Since 1961, the wheat surplus has been cut in half with substantial reductions in Government costs for storing, handling, and carrying the wheat inventory. Production has been kept in check and pricing has been such as to promote the rising disappearance which permitted a yearly average reduction of 150 million bushels in the Government wheat surplus since 1961 with a minimum effect on markets.

Some may argue that with the decline in the wheat surplus, a change is needed. However, a longtime and integral part of farm programs has been the concept of the ever-normal granary. Secretary of Agriculture Freeman has referred to the Government's wheat selling policy as the "ever-normal granary in action." The Congress in successive acts from 1933 to 1965, has reaffirmed the complementary purposes of maintaining farm income and safeguarding consumers' needs by adding to stocks when production exceeds needs and using reserve supplies when demand is strong.

It would not be in the best interests of agriculture if this is only a high-sounding statement to be pointed to as justification for reserve supplies when surpluses are building and to be ignored when stocks are needed. Yet, this in effect is what the proposed increase in resale price would signal.

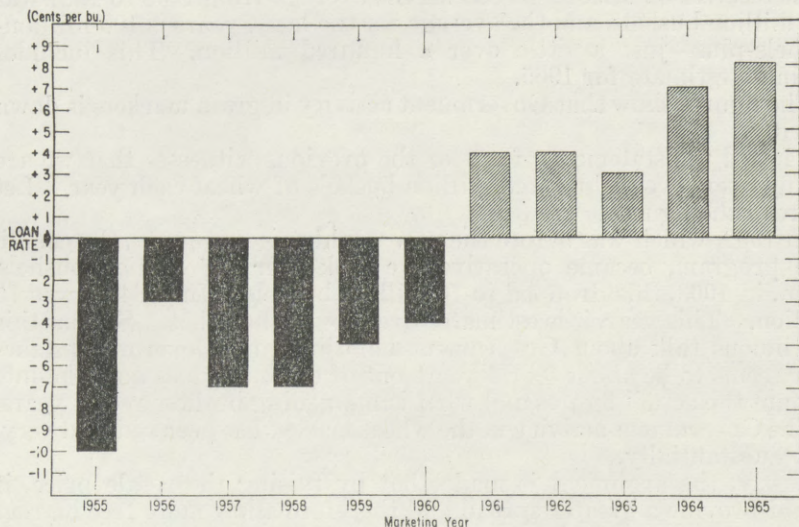
The implications of this proposed amendment are clear. To the extent it might give wheat farmers false hopes as to future prospects, an unwarranted production rise could easily take place. Couple this with potential implications of reduced wheat consumption and the strong probability of upsetting the progress made in pulling wheat stocks down to manageable levels begins to emerge. If this should happen, the goal of reducing Government wheat costs would become more and more distant and the future of farm programs could thereby be endangered.

The Department opposes any change in legislation to increase the CCC minimum sales price for unrestricted use. It would not be in the best interests of the farmers, consumers, or taxpayers. It would not hasten a rise in the income level nor bring any other objective that cannot be realized under existing legislation.

The administration's position on farm income is crystal clear. And the position of this committee appears to be equally clear. Under the leadership of Chairman Ellender, you have acted decisively and repeatedly to put effective farm program legislation on the books. Determined efforts since 1961 have paid off in substantially increased farm income. Realized net farm income in 1965 exceeded \$14 billion for the first time since the early 1950's. There is no inclination to backslide from a continuing effort for further income improvement. But there are sound ways to pursue this course. The Food and Agriculture Act of 1965 which the Congress passed last summer charts the way toward a much needed increase in wheat farmers' incomes.

The act does more for wheat farmers. It offers the opportunity to broaden their markets both at home and abroad. It will accomplish this through provisions aimed at stabilizing wheat prices at levels in delicate balance with prices of other competing grains and with wheat prices in foreign producing areas. Injudicious Government pricing of wheat could easily upset this balance and negate the act's objectives of working toward increased use of U.S. wheat and lower Government costs.

**WHEAT** • AMOUNTS BY WHICH SEASON AVERAGE PRICES RECEIVED  
• BY FARMERS DIFFER FROM NATIONAL AVERAGE LOAN RATE



Mr. JAENKE. The Department is generally in accord with the principles and objectives embodied in this legislation. But we think that by and large these objectives have already been achieved.

The witnesses of yesterday and the ones this morning have referred

to several different purposes for this legislative proposal. No. 1, farmer income. The act of 1965, which will take effect this year, will raise wheat farmers' income in the range of \$200 million, will give the cooperator 100 percent of parity guarantee for their domestic share. Together with the \$400 million increase in wheat income from the 1964 act, farm income, as we look into 1966, is very, very good, and I think approaching parity income in many cases.

The second point was made that this would reduce Government takeover and activity, loan takeover, and so forth.

Here again, I think the facts are pretty clear that this has already taken place.

In the 4 years from 1958 through 1961, the average loan activity for wheat was 405 million bushels. The average since, beginning with the 1962 crop and including estimates for this year, is 235, or roughly half. In other words, the amount of wheat coming into Government hands under the loan program has been cut almost in half in the last 3 or 4 years.

Now, secondly—

The CHAIRMAN. To what do you attribute that?

Mr. JAENKE. The administration's programs that have reduced production and increased exports, so that supply was reduced and demand was increased to the extent there was less coming into or staying in Government hands.

The CHAIRMAN. But suppose you raise this to 125, as some are promoting. Would that not have the tendency of having the Government back in the business?

Mr. JAENKE. We think it would lead in that direction.

In the case of takeover, which is the actual amount that the Government receives and has in its stocks, the average from 1958 to 1961 was 270 million bushels, and the average for the last 4 years is 100-million-bushels-plus—just a little over a hundred million. This includes again an estimate for 1965.

The figures show that Government activity in grain markets is down sharply.

I heard the statement of one of the previous witnesses that we are taking over several hundred million bushels of wheat each year. Let me read the figures.

In 1962, which was before the new world price program, the certificate program, became operative, we took over 227 million bushels. Then, in 1963, this dropped to 70 million bushels. In 1964, it was 75 million. This year, it is estimated even lower than that. So that this continuous talk about Government handling and Government takeover seems to be about 3 or 4 years out of date. It does not take into account the actual figures and what is happening in these recent years.

The Government activity in the wheat market has been reduced very, very substantially.

Lastly, the argument is made that by raising the resale price, it would provide a greater spread and therefore allow more free market activity, more speculation, more trading.

I checked this out the other day with our Commodity Exchange Authority, which has the responsibility for this area, and if I might just read the first sentence of the memo from this agency:

Indications from the volume of futures trading in wheat in the first half of 1965-66 are that the annual volume will be the largest in the past 10 years.

So, there is more free market activity; there is more futures trading here.

Senator YOUNG. If you will yield there. Of course, there had to be, because CCC was not selling any wheat at all.

Mr. JAENKE. This statement covered the first half of the 1965-66 year, the current year. Since November CCC has been selling certain type wheats, if you recall. To summarize then, the objectives of an increase in the resale price have already been met and will in all probability continue to be met. I was particularly interested in the testimony of Bob Searles, and the questions as to where our carryover level should be, and the fact that we are very, very closely approaching a desirable carryover level. The surplus situation in wheat is just about past—it is almost out of the picture.

Now, we need, I think, to look at the other implications of this sort of legislation and what it might mean in terms of the overall farm activity and Government programs, costs, and so forth.

I think the first point that we have to bring forth here, and I think it is undeniable, is that a higher resale level is going to increase Government costs. Every cent that the wheat price goes up under current conditions increases the cost for subsidy operations by \$8 million. So, if we talk in terms of 115 percent, that is 13 cents increase over what we now have, with the minimum at 105—and this means an increase cost of something in excess of \$100 million. The subsidy on a bushel of wheat today—that moves into dollar markets or into Public Law 480, either way, because it operates in the free market channel—is 21 cents. That is a net subsidy after the certificate operation is taken into account.

Senator YOUNG. I would agree with you there, the higher the cash market goes the higher the export subsidy has to be. I think this is offset in large measure by less grain going into CCC. If the cash price of wheat is 10 or 15 cents a bushel above the loan price, any farmer would be foolish to put it under loan except for a short period, maybe, for income tax purposes or financial purposes. I think every farmer I know would, if he could gain a little money by redeeming his wheat loan and selling on the market, follow such a course. Of course, there are some who like to hold it longer now for storage purposes.

But if you have a cash price of 15, 20 cents a bushel, or even 10 cents a bushel above the loan price, I think you can say for certain that less wheat would go under the loan.

Mr. JAENKE. I think this point is borne out, sir, just by one chart that I wanted to show here. I think this illustrates this.

(NOTE.—For chart referred to above, see p. 75.)

Mr. JAENKE. If you recall, I just gave the figures here as to what has happened in terms of Government takeover. It has been 70 million bushels in the last 2 or 3 years.

Look here, beginning in 1955—this shows the average price received by farmers for their wheat. This is the loan level.

The CHAIRMAN. Would you give that for the record? What is the average price?

Mr. JAENKE. The average price received by farmers was 10 cents below the loan level.

In 1956, it was 3 cents below; in 1957, it was 7 cents; 1958, 7 cents; 1959, 5 cents; in 1960, about 4 cents below.

So, all these years, from 1955 to 1961, we had a market price, a price received by farmers, below the loan and we had Government loan activity and takeover very high.

Then, in recent years here, with effective programs—while they have been expensive, they also have been reducing stocks, by encouraging diversion of acreage and have put our wheat on a roughly competitive basis in world markets, and now recently moving it into feed uses—you can see that the price received by farmers has been as high as 8 cents above the loan level.

So, I think this bears out just what you were saying, Senator Young, and this is what is happening.

In this year—this is 1965—there will probably be something in the nature of 50 million to 60 million bushels takeover by the Government, down from 500 million bushels back in this year [indicating]. So, again I say, the objectives of the proponents have already, generally speaking, been accomplished.

The CHAIRMAN. Well, would you venture to tell the committee who would be the beneficiary in the event we raise this to \$1.20, \$1.15?

Mr. JAENKE. I think the holder of wheat, whoever he might be. To the extent that a farmer was able to hold his wheat and wait until the last 2 or 3 months of the marketing year, when these prices would begin to get up to these very high levels, then he would be the beneficiary. But, generally speaking, the bulk of the wheat is sold in the first 3 months of the activity. So, whoever is buying this wheat from the farmers would be the beneficiary of a higher resale level, if it were effective.

The CHAIRMAN. Be it an individual dealer or the cooperative.

Mr. JAENKE. Yes, co-ops would take a lot of wheat on hand. They would be the beneficiaries of it. And the trade, domestic users, millers, to the extent they buy their supplies ahead; exporters, who would take a position, knowing that the price was going to go up, as the result of the Government programs.

The CHAIRMAN. Well, would you say that if we followed the proposal suggested, that it might keep the Government long in business, to interfere with the trade?

Mr. JAENKE. I think that the cost question is a clear-cut one. As long as our prices are above world prices, there is going to have to be a subsidy to make our wheat competitive.

The CHAIRMAN. It would keep the Government in business, and, of course, when I say "in business," I mean really having to contribute.

Mr. JAENKE. The only way to avoid increasing this cost, if you raise the resale, would be to cut the loan level.

If you took the loan level from \$1.25 to \$1.10, then you could raise the resale to 115 percent of the loan, and you would not add any Government cost. But here again, this would hurt the very people that I think this committee over the years has tried to help, the small farmer with no holding capacity, who has to market his wheat. He would get 10 or 15 cents less, and somebody else with a lot of capital who was able to hold the wheat until the price went up would benefit from it.

The second major objection to any change in the resale price in our judgment is that it would kill off the substitution provision. Behind and inherent in the substitution is the fact that the wheat and feed grains must be priced competitive to the feed user. If you jump wheat prices way out of line like might occur under this legislation, you cannot have a substitution provision. Congress wisely wrote into the law and gave this authority to the Secretary to provide for the substitution, because they felt it was good from the standpoint of farm management, and gave the farmer an opportunity to make the most efficient use of his land and increase his returns. But they also said whenever it will not disrupt the effectiveness of the program.

Senator YOUNG. How much is that substitution provision being used?

Mr. JAENKE. Very much. It is a very popular feature among farmers. It is having two effects, as we can tell from our statistics, and these are on the basis of reports from around the country and are not complete as yet. In the Corn Belt States, a lot of farmers who have 220 acres of corn and 100 acres of beans and 15 acres of wheat, find it is not worth their time to fiddle around with the wheat. So, they are getting out of the wheat production and substituting corn.

Contrariwise, farmers in your country, and in the Southwest, where they have moved into barley or oats or some other substitute feed grain, are going back into wheat.

So, generally speaking, it is putting wheat back in its traditional producing area and letting corn be grown in its traditional producing area.

Senator YOUNG. In which area is it being used most?

Mr. JAENKE. In terms of numbers, in the Midwest. Quite a few farmers are not using the 15-acre wheat allotment. Instead, they are putting it over to their feed grains.

Senator YOUNG. Let me ask this—it is a little off the subject.

Under the farm program passed last year a provision got into it that I was not fully aware of. Under this, as I understand it, a wheat farmer only has to plant 45 percent of his allotted acres in order to qualify for wheat certificates?

Mr. JAENKE. Yes.

Senator YOUNG. Now, over and above this, he can plant soybeans or some other nonsurplus noncontrolled crop.

Mr. JAENKE. That is right—or flax, or strawberries, or avocados, or anything he wants.

Senator YOUNG. This provision is mandatory and not optional with the Secretary.

Mr. JAENKE. No, sir.

Senator YOUNG. Was that the intent of the Department? I am trying to find out how that got in there. I thought it should be optional with the Secretary. I do not know how it got in there.

Mr. JAENKE. I just do not recall either. Here's how it would work.

Let's take a hundred-acre wheat base. He must divert 15 acres. This leaves him 85 acres. Certificates apply on 45 percent and the remainder goes at the loan of \$1.25. The 45-percent certificate earns full parity.

Now, if he wants to plant only the certificated part he is free to plant anything he wants on that remaining land, as long as it is not a price-supported commodity and does not involve any other programs. But he is free to put, as you say, soybeans on it, or is free to put strawberries on it, or anything else.

Senator YOUNG. He can plant soybeans, even though soybeans may be in surplus?

Mr. JAENKE. No. If they would be in surplus, I think, the Secretary could prevent such action under another legal provision.

Senator YOUNG. You are not sure how this got to be a mandatory provision rather than optional?

Mr. JAENKE. No; I don't happen to recall at the moment.

Senator YOUNG. I do not, either.

The CHAIRMAN. Will you expand further on this—the use of wheat in lieu of corn and corn in lieu of wheat?

How would it throw it out of balance? What is it now?

Mr. JAENKE. It is \$1.25 in the last year, related to \$1.05 on corn.

Our technicians in the Department say that this 20-cent spread is about the limit of the difference, based on feeding value between the two for the substitution provision to work properly.

Now, if you had a resale price that, in effect, added another 15 cents on top of that, I think you can see what would happen.

Another disadvantage, we think, to changing the resale level has to do with this new feed use of wheat.

Our wheats now are priced generally competitive for feed purposes, and we are finding a considerable use of wheat in the feed market. An estimated figure of around a hundred million bushels are going to be fed this year. This is occurring in the New England area, the Middle Atlantic, the poultry areas; it is occurring out in the Northwest. It is generally in the areas distant from the basic corn producing areas, where, of course, the prices are influenced by transportation. So that if you raise the resale price of wheat, you would have two effects: No. 1, you would choke off and stop the use of wheat as a feed. Feeders will not use wheat, if the price is going to be higher. And this would have particularly significant impact, I think, in the feed-deficit areas, the dairy and poultry areas of New England, the Middle Atlantic and the Southeastern United States where considerable wheat is used.

In addition to that, in the Pacific Northwest, a considerable quantity of wheat is being fed this year in lieu of barley and oats, and, again, it ties in with the substitution provision.

So, in general, if you are going to have the substitution, if you are going to have wheat used as a feed, you have to have it priced competitively.

And, this bill, which would raise wheat alone, would have adverse effects on this.

Senator MCGOVERN. Well, Mr. Jaenke, on that point, haven't we got a larger supply of feed grains on hand than we do wheat, in terms of the demand for the two grains?

Mr. JAENKE. Yes, the official estimate is for 750 million bushels carryover this June 30. It might be a little below that but still 150 to 200 million above what is generally considered a desirable carryover or

normal reserve. In the case of feed grains we are about 10 million tons over the 45 million tons figure.

Senator McGOVERN. Well, if that is the case, what is wrong with stopping some of the use of this wheat for feed purposes and letting the demand build up on feed grains and get the two more in balance in terms of the reserves?

Mr. JAENKE. This year, it would have meant 4 million acres less acreage allotment to the producers. The acreage allotment would have had to be reduced by 4 million acres more if it had not been for the 100 million bushels feeding. We tend to think the wheat allotments are just as low as they can be—the rubber band is stretched to the point where it cannot go much further. The wheat producers are producing on 47.8 million acres, when about a decade and a half ago they were producing 72, 73 million acres. If it were not for feed use of that 100 million bushels, it would have to be 4 million less.

Continuing here, the world market situation—increase in the resale price would have done one of two things, either it would make us non-competitive in world market, or else Uncle Sam would have to pick up another cent for every cent that the price goes up.

Senator YOUNG. You are not competitive now.

Mr. JAENKE. We are paying 21 cents per bushel as of today.

The CHAIRMAN. And this would aggravate it, make it higher.

Mr. JAENKE. Each cent the market went up would be another cent in the subsidy cost unless world prices went up.

The CHAIRMAN. That is the position I took yesterday and today.

Mr. JAENKE. I think the other objective relates to the statement of the President in his economic report on price stability. If I may quote just briefly:

One of the problems of prosperity we face in 1956 is in achieving stability of prices and costs at full employment. Where available, surplus Federal stockpiles will be used to prevent unnecessary shortage of materials and commodities, and our defense procurement, agriculture, and other policies will be adjusted where necessary to avoid contributing to instability of price and inflation.

Part of the overall governmental effort is to try to stop inflation and to maintain this full-employment economy, and this prosperity that we have, without eroding from it by higher prices. And certainly, this will have to be considered as one of the disadvantages of increase in the resale level.

Senator YOUNG. You are touching on a very touchy point, as far as the farmers are concerned. In announcing this resale of a high protein wheat and changing your position from no sale at all to 108 percent of price support plus carrying charges, as I recall, the Secretary stated the intent was to stabilize wheat prices and prevent increases in bread prices.

I cannot recall of an agricultural price support operation ever being used before to lower farm prices.

Do you know of any Government program to lower wages for labor?

Mr. JAENKE. I do not think the November 23 action has lowered wheat prices. But later on, I would like to touch on the point and comment on your point, that this is a change all of a sudden, from no sale to sales and plunging down the market.

First of all, I think the ever-normal granary concept has been in every farm law from 1930 on and is still on the books. We have

checked into it, and I read recently some of the legislative history—some of the debate on the floor. This was, in effect, a compact between consumers and farmers, taxpayers, and farmers, in which the public agreed to help farmers to hold prices, and to have a price-support program. In turn, they asked for, under the ever-normal granary concept, some protection against runaway prices and tremendous inflation.

Now, we just cannot expect the ever-normal granary concept to apply just when it was working to agriculture's advantage and then try to forget about it when the time comes for it to work to the advantage of others.

Senator YOUNG. Even with the better wheat prices that we enjoyed at the time, wheat farmers were not getting parity for all their production; they were only getting parity for part of it.

Mr. JAENKE. That is right. Actually, they are getting a little more than parity on their domestic production, because the price they receive for their wheat is above the loan.

Senator YOUNG. This is the first time that I can ever recall that a program was announced to decrease it.

Let me ask you another question, while we are talking about parity.

Parity, as of January 1966 was \$2.53 a bushel. In December 1965, it was \$2.58 a bushel. That is a drop of 5 cents a bushel.

When I was at home, I noticed all the prices of farm machinery were increasing, and almost everything the farmer has to buy.

How does it happen that the parity price goes down when the cost of operation goes up?

Mr. JAENKE. I cannot answer you precisely, because, as you know, this parity formula is very, very complicated. I believe it relates to the base period years used in the formula.

Senator YOUNG. The parity formula used to mean something. Former Secretary Benson rigged it once, and I think it has been rigged twice since then, to the point where it is meaningless. When the parity price drops 5 cents a bushel, it means farmers, under the present price support program will get about 5 cents a bushel less than they would have.

Senator McGOVERN. Under that formula, it is going to keep going down, because each year you drop a few points. That reduces the overall average, does it not?

Mr. JAENKE. Unless the formula picks up enough years where prices have been a little higher, prices including the certificates have been higher.

Senator McGOVERN. But you will agree that the dip which was made this year is going to figure, have a dampening effect, on the overall average next year?

Mr. JAENKE. If I might, Mr. Chairman, I would like to have our Economic Research Service provide a memo that we can insert in the record at this point to give you the exact answer.

The CHAIRMAN. Very well. I have been wrestling with that myself for a long time. One day I called the statistician himself, and he got kind of fuzzy about the answers. He, himself, could not explain it, so we understand your position.

Mr. JAENKE. Thank you.

(The information subsequently furnished is as follows:)

RECENT CHANGES IN PARITY PRICES FOR WHEAT

The parity price for wheat in January 1966 was \$2.53 per bushel, down 5 cents a bushel from the parity price of \$2.58 for December 1965. This reduction is a result of the methods for calculating parity specified in title III, subtitle A, section 301(a) of the Agricultural Adjustment Act of 1938, as amended by the Agricultural Acts of 1948, 1949, 1954, and 1956.

The parity price calculation is based on a 10-year moving average ending each December 31. Thus, in making the computation for the present parity price, average prices of wheat for 1955 were omitted and average prices of wheat for 1965 were added. It so happens that the price received by farmers for wheat was \$2.02 a bushel in 1955 compared with \$1.35 per bushel in 1965 (by law certificate payments are added to prices received for purposes of calculating parity). Thus, the 10-year average price for purposes of calculating parity was reduced from \$1.91 last year to \$1.87 for the current year. The law provides that the parity price also be adjusted to changes in the parity index. The parity index increased 3 points last year which prevented the parity price for wheat from going as low as it might otherwise have been. These calculations follow strictly the formula prescribed by law.

The CHAIRMAN. You can put the whole statement in the record.

Mr. JAENKE. Thank you, Mr. Chairman. One point was covered a few minutes ago, and that is the relationship between 105 percent of \$2—I believe Mr. Ramsland had this comment—and 105 percent of \$1.25 or \$1.30. Of course, he is exactly right. This was one of the considerations involved in our decision when we resumed sales this fall, in using the 108 formula in lieu of the 105 formula. So, I think the point that Mr. Ramsland made here is no longer valid in view of the resale at the 108 level right now. This about equalizes—not exactly—the margin that the trade—and I think rightly so—needs and has to have in order to handle the grain.

Now, if I might—

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

Just why did the Secretary of Agriculture change the resale from 105 percent plus carrying charges to no sale at all, and then drop way back to 108 percent?

It always seemed to me a rather unwise decision.

Mr. JAENKE. If you recall, in the wheat bill that we passed in 1964, to apply to the 1965 crop year, we were going from a market price, a market price to the millers, of around \$2 a bushel to a market price related to the world market of \$1.25. There was a great deal of concern in the trade about the inventory position. In fact, I believe you had some of us from USDA meet with you and some of the trade people about this problem.

Millers were going to be in a tough position for about a 2- or 3-month period, until a new crop came on here, in terms of getting their supply. Nobody wanted to hold an inventory when the value of the stocks were going to drop.

So, consequently, the Congress, in the legislative history, told the Secretary of Agriculture to make sure that during this transition period that there were available supplies of wheat on hand for domestic milling purposes.

So, beginning in August of 1964 when the winter wheat crop had come in but the spring wheat crop had not come in yet and there were some severe shortages beginning to appear and mills were threatening to have to close down, the trade came to us and asked that the transition

authority be used. So, in line with the legislation we made available CCC stocks of wheat.

Then, coming along to October or thereabouts, the need had disappeared. Our sales were dribbled down to where we would sell nothing for 2 or 3 days, and then only sell a few bushels here and a few bushels there.

Looking at the overall supply situation at that time, we did not believe there was any further need for CCC wheat. This follows the ever-normal granary approach. The stocks were balanced out here, and there was no further need for the Government to be selling wheat back into the market. So, we pulled out.

I think the stability of prices and the adequate supply of different qualities and classes of wheat throughout the remainder of that marketing year proved that decision a wise one.

Senator YOUNG. It helped the market, but you had this terrific transition from no sale at all down to 108 percent.

Mr. JAENKE. Down, sir? I don't follow you. The 108 percent was above, except for some very high-quality protein the current price of wheat. Except for the higher quality proteins—the 108 resale level was above current prices. It caused some psychological reaction but the market came right back up in a few days. Our action did not break markets.

Senator YOUNG. I disagree with you completely. From no sale at all, this means you would not even sell at \$5 a bushel, and all of a sudden you go down to 108 percent of price support. This is a terrific drop.

I knew sometime you had to change, but it would have been more understandable to most farmers if in place of no sale you had gone to some other level, say 115 or 120.

I sold my wheat this fall for \$1.96 a bushel. It was 17½ protein. I tried to tell farmers around the State last fall that the Secretary was in an untenable position and would have to sell sometime, but I did not want to create a selling wave and be blamed for dropping the price.

Mr. JAENKE. Well, I respect your suggestion and your judgment that perhaps we should have started sales at a different level. Sometimes it is awfully difficult to please everybody in these decisions. A lot of people felt that if we got out of the market, it would be a much more desirable position, and this was the ultimate judgment that we made on it.

As I say, I think the reactions of the market and the reactions of the prices through the years show that there was an available supply sufficient to cover the need. Prices did not go skyrocketing, and we did not have wild price fluctuation up or down after we pulled out, but we had to go through, according to the law itself and the legislative history, this transition and make our stocks available in order to meet the situation. After that, we had no need to sell.

I think that our policy now and for the future is in accord with the ever-normal granary concept—when there is a situation where adequate supplies are coming onto the market from framers, from holders of wheat whoever they may be and there is sufficient quantity of all qualities, to meet the market need, then there is no reason for the Government to be making sales.

Incidentally, since November 23, when we came back into the market, we have only sold 1.8 million bushels of wheat. This is just a dribble; this is about one ten-thousandth of last year's crop.

Senator YOUNG. Of course, to one who does not know market conditions, that is an impressive statement. But the problem is that in my State, at least, and I think in most States, you cannot get boxcars now. The CCC holds the wheat out in the country under a resale program. The millers cannot buy that wheat unless you can haul it to Minneapolis or Duluth, and there is no way of getting it there now, because of the shortage of boxcars. You can get a little there.

Mr. JAENKE. We are very much concerned about the boxcar situation, too.

Senator YOUNG. If all the wheat CCC held was available in Minneapolis or Duluth at 108 percent of price support plus carrying charges, the cash price would certainly be way below what it is now.

Mr. JAENKE. Are we short of supplies in Minneapolis or Duluth for market needs?

**STATEMENT OF ROLAND F. BALLOU, DEPUTY ADMINISTRATOR,  
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,  
U.S. DEPARTMENT OF AGRICULTURE**

Mr. BALLOU. On Spring wheat, no, sir; we have adequate supplies of spring wheat.

Senator YOUNG. At 108 percent of price support? I know something about this wheat business, too. If you had adequate supplies in Minneapolis at 108 percent of price support plus carrying charges, why would cash wheat be selling at 15 or 20 cents per bushel above that?

Mr. BALLOU. Let's review the record as to exactly what happened with respect to price since our announcement on November 23.

Take 16 protein, No. 2, Northern Spring wheat, Minneapolis. The cash market price on November 23 was \$1.945<sup>5</sup>/<sub>8</sub>. Yesterday, it was \$1.995<sup>5</sup>/<sub>8</sub>.

Senator YOUNG. What was 108 percent of price support plus carrying charges?

Mr. BALLOU. Today it is \$1.981<sup>1</sup>/<sub>4</sub>.

Senator YOUNG. In Minneapolis?

Mr. BALLOU. Right.

Mr. JAENKE. So, apparently it is pretty close.

Mr. BALLOU. Very, very close.

Mr. JAENKE. If we would have stocks available, you would expect this to be the case.

Senator YOUNG. What is your price support there? What is the price support level in Minneapolis?

Mr. BALLOU. I do not have that figure available. I have the 108 percent. I have not figured out what the price support level was in Minneapolis. The 108 percent is \$1.981<sup>1</sup>/<sub>4</sub> for February.

Senator YOUNG. That is including premium?

Mr. BALLOU. That is including the premium for 16 protein wheat.

Senator YOUNG. How much premium do you put on?

Mr. BALLOU. I do not know.

Senator YOUNG. Can you get it for the record?

Mr. BALLOU. Certainly.  
(The information is as follows:)

The basic loan rate for No. 2 Northern Spring wheat in Minneapolis is \$1.58 and the premium for 16 percent protein is 13½ cents.

Mr. JAENKE. In advocating a higher resale price for CCC, many proponents maintain that Government sales hamper market and trade activity. Obviously, Government sales are a factor in the market, just as obviously, however, they are but one factor. If the volume of futures trading is any measure of marketing activity, during the July-December of 1965 period Government dispositions of wheat amounted to 187 million bushels, only slightly less than the 194 million disposed of in the same in 1964, yet wheat futures trading volume during the July-December 1965 period soared to 3,225 million bushels of trading activity in contrast to a volume of 1.9 million bushels in the same period of 1964.

So, while the futures trading volume was increasing substantially over the previous year, Government dispositions remained about constant.

Some may argue with the decline in the wheat surplus a change is needed in this resale price. However, a long time and integral part of the farm program has been the concept of the ever-normal granary.

Secretary of Agriculture Freeman has referred to the Government's wheat-selling policy as the "ever-normal granary in action." The Congress in successive acts from 1933 to 1965, has reaffirmed the complementary purposes of maintaining farm income and safeguarding consumers' needs by adding to stocks when production exceeds needs and using reserve supplies when demand is strong.

It would not be in the best interests of agriculture if this is only a high-sounding statement to be pointed to as justification for reserve supplies when surpluses are building and to be ignored when stocks are needed. Yet, this in effect is what the proposed increased in resale price would signal.

The implications of this proposed amendment are clear. To the extent it might give wheat farmers false hopes as to future prospects, an unwarranted production rise could easily take place. Couple this with potential implications of reduced wheat consumption and the strong probability of upsetting the progress made in pulling wheat stocks down to manageable levels begins to emerge. If this should happen, the goal of reducing Government wheat costs would become more and more distant and the future of farm programs would thereby be endangered.

For these reasons, the Department opposes any change in legislation to increase the CCC minimum sales price for unrestricted use. It would not be in the best interests of the farmers, the consumers, or taxpayers. It would not hasten a rise in the income level nor bring any other objective that cannot be realized under existing legislation.

The administration's position on farm income is crystal clear. And the position of this committee appears to be equally clear. Under the leadership of Chairman Ellender, you have acted decisively and repeatedly to put effective farm program legislation on the books. Determined efforts since 1961 have paid off in substantially increased farm income. Realized net farm income in 1965 exceeds \$14 billion, for the first time since the early 1950's. There is no in-

clination to backslide from a continuing effort for further income improvement. But there are sound ways to pursue this course. The Food and Agriculture Act of 1965 which the Congress passed last summer charts the way toward a much needed increase in wheat farmers' incomes.

The act does more for wheat farmers. It offers the opportunity to broaden their markets both at home and abroad. It will accomplish this through provisions aimed at stabilizing wheat prices at levels in delicate balance with prices of other competing grains and with wheat prices in foreign producing areas. Injudicious Government pricing of wheat could easily upset this balance and negate the act's objectives of working toward increased use of U.S. wheat and lower Government costs.

The CHAIRMAN. Now, Mr. Jaenke, with respect to this transition you spoke about a while ago. You mention the year 1964. You meant 1965, did you not?

Mr. JAENKE. No; it was the act passed in the year 1964 to apply to the 1964 crop. And the transition occurred in the summer months, August, September, and October of 1964.

The CHAIRMAN. Specifically—I may not have followed you—why did you make this announcement on November 23?

Mr. JAENKE. Of this year?

The CHAIRMAN. No; last year.

Mr. JAENKE. You mean in 1965—this marketing year?

The CHAIRMAN. Yes.

Mr. JAENKE. Well, it was apparent that with the new demands that were coming into the market—at that time mainly commercial demands, although we could begin to see some developments insofar as the food-for-peace program and India was concerned—it was apparent, therefore, that the production from the 1965 crop of wheat, plus whatever small amounts were in the private hands at that time, was not going to be sufficient to meet the needs in this marketing year. Already, by November 23, there was short supply of certain high protein wheat especially in certain locations. There were no supplies available from private lands because the crop was such last year that protein was down.

Under the application of the ever-normal granary concept, we began offering high quality stocks and then as the situation tightened, made available CCC wheat of all qualities and at all locations.

The CHAIRMAN. What would have happened, in your estimation, to the market had you not come in on November 23? Would it have continued to go up and up?

Mr. JAENKE. Yes, sir.

The CHAIRMAN. Who would that have benefited?

Mr. JAENKE. Whoever held the wheat.

The CHAIRMAN. That would not have been the farmers, would it?

Mr. JAENKE. As I indicated, generally the bulk of the wheat crop is sold in the first 3 months.

Senator YOUNG. Mr. Chairman, I would say that roughly two-thirds or maybe three-fourths of the wheat held in North Dakota is under loan, and the farmer can redeem it and sell it. Isn't that right?

Mr. JAENKE. I do not believe it is that high.

Senator YOUNG. This includes resale wheat.

The CHAIRMAN. Will you put the exact figures in the record, to see who would have benefited? The question is: Who would have benefited?

If you can indicate that by means of a memorandum to put in the record at this point, I would like to see it.

(The information requested is as follows:)

Approximately 40 percent of the wheat crop is sold by farmers in the first quarter after harvest. About 60 percent of the grain is sold during the first 6 months. Only about 20 percent of the crop is marketed by farmers in the last quarter of the marketing year. As a result, increases in price during the last half of the year would be obtained by farmers on no more than 40 percent of the crop sold. The maximum gain would be obtained by farmers on only about 20 percent of farm sales.

	<i>Wheat, North Dakota</i>	<i>Thousand bushels (rounded)</i>
1965 crop:		
Production.....		179,706
Put under support:		
At Dec. 31, 1965:		
Warehouse stored.....		2,900
Farm stored.....		24,121
Total.....		27,021
At Jan. 31, 1966:		
Warehouse stored.....		3,758
Farm stored.....		30,880
Total.....		34,638
Loan repayments:		
Total, through Dec. 31, 1965.....		2,390
Total, through Jan. 31, 1966.....		3,979
Stocks in North Dakota at Jan. 1, 1966:		
On farms, including grain under loan.....		140,171
Off farm:		
CCC:		
Warehouse.....		40,417
Bin sites.....		4,756
Other warehouse, etc.....		30,711
Grand total.....		216,055
1964 crop:		
Production.....		150,842
Put under support.....		51,295
Repayments.....		10,767
Deliveries.....		27,275
Under resale at Jan. 31, 1966.....		18,696
1963 crop:		
Production.....		125,608
Put under support.....		50,810
Repayments.....		7,298
Deliveries.....		34,696
Under resale at Jan. 31, 1966.....		5,434

Senator YOUNG. According to the latest figures I have, we have about 140 million bushels of wheat on North Dakota farms. Most all of this is either owned by the farmers or they could redeem it and sell it in the market.

The CHAIRMAN. Any further questions?

Thank you.

At this time, we will stand in recess until 9 a.m. tomorrow.

(Whereupon, at 11:05 a.m., a recess was taken until 9 a.m., Thursday, February 3, 1966.)

(Additional statements filed for the record are as follows:)

STATEMENT OF HON. QUENTIN N. BURDICK, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, I want to thank both my distinguished colleagues, Senator Young of North Dakota and Senator Karl Mundt of South Dakota, for scheduling these important hearings on the Government sales of Commodity Credit Corporation grain stocks. In doing so I believe both of you are performing a valuable public service, one that will surely throw light on a problem that has plagued wheat farmers for years.

I believe most of us agree that the Commodity Credit Corporation has done an essential job in stabilizing farm income. However, one of the disadvantages of the price support program carried out by the CCC is that the accumulated stocks of farm commodities have a depressing effect on market prices. Another disadvantage is the huge cost of storing CCC stocks, at one time running well over \$1 million a day. I might add that this is no longer true—the cost of storage has been reduced along with the amount of the surplus and I believe this to be a result of the policies pursued by Secretary Freeman since he became director of the Nation's agriculture program. In that effort, the Secretary deserves the respect and commendation of us all.

There is one policy in regard to CCC stocks on which I must disagree with the Secretary, however, and that is the price level at which CCC stocks, and I am referring specifically to wheat here, should be released on the open market. The present level allows the USDA to release CCC wheat at no less than 105 percent of support price and the recent sales of wheat by USDA beginning in late November were at a rate of 108 percent.

Mr. Chairman, I would like to add my voice to that of those who believe this level too low; 105, or 108, or even 110 percent of support price does not allow a large enough difference between basic support level and resale level to continue a large volume of private sales once the Government offers CCC stocks for sale on the open market. Present policy in effect establishes a ceiling on grain prices that interferes with the natural tendencies of the market to seek a higher price level. The effect of this situation has been to depress grain prices whenever the CCC has offered grain for sale. This, of course, results in the loss of thousands of dollars to farmers in areas such as my home State of North Dakota.

I believe that if the law were amended to establish a minimum resale level of 115 percent of support price with a flexibility allowing the Secretary to go higher if he believed it necessary, it would strengthen the position of wheat farmers in competing with CCC sales.

It would be my hope that these hearings will prove to justify the desirability of a higher resale policy.

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STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Mr. Chairman, when the last agricultural bill was before the Senate, I joined with others in an amendment which would have required the Commodity Credit Corporation in disposing of wheat to sell it for not less than 115 percent of the current price support plus carrying charges. That amendment did not prevail but I want to urge the same principle before this committee. The reasons are many, but I will cite a few:

1. Farm programs were brought into being to raise the price of the farmers' products in the marketplace. The Congress never enacted farm programs with any intent of having them used to depress prices.

2. The adoption of this principle would raise the price received by the farmer in the marketplace. I believe that this is desired by the overwhelming majority of farmers. Farmers would rather receive a good price in the market-

place than be dependent upon appropriations of the Treasury of the United States.

3. Insofar as this objective would be realized, it would lessen the cost to the Government in reference to any commodity so involved.

4. It would increase the value of the Government stocks of any commodity involved that happened to be on hand.

5. The object of farm legislation should not only be to raise the prices to the farmer in the marketplace, but it should be to make unnecessary Government participation to the fullest extent. Low prices and dependence upon direct appropriations from the Treasury Department work in the opposite direction and are burdensome to both farmers and taxpayers. All taxpayers and all farmers are also consumers.

6. In the recent past, the power and authority of the Federal Government has been used to lower farm prices. This is not sound. It was never intended by the Congress and this proposed legislation should so be written that it would terminate such Government practice.

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STATEMENT OF HON. ANCHER NELSEN, REPRESENTATIVE IN CONGRESS FROM THE SECOND CONGRESSIONAL DISTRICT OF MINNESOTA

Mr. Chairman and members of the Senate Agriculture Committee, I am most pleased to submit a statement in support of proposals to raise the resale price of Commodity Credit Corporation wheat to not less than 115 percent of current support price plus reasonable carrying charges.

Frankly, the bills some of us have proposed would go even a bit further in attempting to prevent the Government from dumping food and feed grains on the marketplace to the detriment of family farmers, taxpayers, and the grain trade. For example, my own bill, H.R. 2265, would raise the release price on CCC grains to at least 120 percent of the loan support rate.

However, I feel the increasingly blatant efforts of the Government to control farm prices have got so completely out of hand, it is solidly in the best interest of the Nation's farmers to testify in support of the proposals under consideration.

We need look back only a few weeks to see two good examples why. Just weeks ago the Government announced the CCC was moving 25 to 30 million bushels of corn from country to terminal points where it could be readily offered for sale. About the same time, it was announced the Government's stock of wheat, some 500 million bushels, would be offered for unrestricted use "to assure adequate market supplies," even though wheat stocks are below what many consider to be a prudent reserve. It was put on the market at 108 percent of loan value plus carrying charges which, in effect, established a price ceiling on wheat.

The immediate effect of these actions was to drop market prices of corn and wheat by several cents a bushel.

This is an old story for the farmer, of course. It was pointed out by the House Republican Task Force on Agriculture last year, for example, that farmers would have received \$370 million more from corn sales alone during the 1961-62 marketing year had it not been for the competitive dumping of nearly a billion bushels of Government-owned corn.

Mr. Chairman, the possible argument that these actions were taken to put a lid on inflation is not justified. The farmer is presently getting 80 percent of parity, which means he is far behind the rest of the country incomewise. While farm prices are currently 2 points above what they were in the 1957-59 base period, prices farmers have had to pay are up 10 points. Meanwhile, hourly earnings of workers in manufacturing industries are up 20 points.

The argument that these actions were taken in accordance with the will of Congress is not justified. In establishing the CCC in 1948, Congress charged it with "stabilizing, supporting, and protecting farm income and prices." The term "stabilize" was never intended to mean putting a ceiling on the prices a farmer might receive in the marketplace.

Nor can the argument be justified that grain dumping has ultimately helped raise farm income. It has been recently stated that farm income is up 40 percent in the last 5 years. This ridiculous statement, however, refers to income per farm, and there are now 670,000 fewer farms than there were in 1960. Obviously, the fewer the farms, the larger the income of surviving farms will appear to be.

Why then, have American farmers had to contend with these ruinous grain-dumping policies? Secretary of Agriculture Orville Freeman, in testimony last year before the House Agriculture Committee, explained it this way: “\* \* \* We purposely sold in order to move our prices down far enough so that they would be way below the support level, the loan level, so that we could thereby get compliance.” In short, the real reason for the dumping has been to depress market prices, thereby forcing farmers into the farm program whether they want in or not.

Mr. Chairman, this is the crux of the problem. The price managers in Washington are so sure they have all the answers, they are deliberately breaking the grain market and crushing individual farmers to exercise control. Their cynical misuse of the vast power of the Federal Government has brought economic distress to farm program complier and noncomplier alike and is destroying the private grain trade.

It is time Congress put a stop to this injudicious grain dumping or it may well result in further attempts by the Washington price fixers to set price ceilings on other farm products.

I have reason to believe that the Government may try using the same economic rolling pin on other farmers with which it has been beating the wheat and feed grain growers. Talk coming out of the Department of Agriculture is that the price controllers want to “stabilize” the price of oils. All this word “stabilize” means to such people is to adjust prices downward by some means at their disposal. But any reduction in the price of soybean oil, for example, would increase the price of soybean meal to the livestock industry, and the irony is that livestock prices are one of the few bright spots in agriculture today.

Furthermore, I take the liberty of quoting part of a Grain Terminal Association Radio Roundup, St. Paul, Minn., for December 21, 1965. “\* \* \* Will the Government put price ceilings on other farm products, including livestock? These questions are in almost every farmer’s mind these days. A good economist friend had some observations about this situation the other day. He talked about the long years of low farm prices and how most farmers worked faithfully with the farm programs toward a better day when prices could regain some of that long-lost ground. Now that such a day is approaching this economist said he is disturbed to see price ceilings established at low levels on wheat. He showed us a newsletter, a confidential paper, that hints at other farm price ceilings \* \* \*.”

Mr. Chairman, the Second Congressional District of Minnesota which I am privileged to represent had in 1964 a total harvested wheat acreage of 71,100 acres on which was grown 1,820,100 bushels of wheat. Our production of feed grains, of course, is far more sizable and important. The overwhelming feeling of these growers, and of most farmers in the Second District, is that the Government has no business pegging prices and setting income ceilings, because that is the task of the marketplace in a free society. They would favor the proposed legislation and strongly oppose any further attempts to impose price controls on American agriculture.

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STATEMENT OF HARVEY SICKELS, NATIONAL SECRETARY, NATIONAL FARMERS ORGANIZATION, CORNING, IOWA

Thank you, gentlemen, for giving us this opportunity to present our views. Your committee is concerned with legislation which would change the long-accepted policy Congress gave USDA for CCC sales pricing.

Speaking in behalf of my organization—which is truly representative of farmers since farmers only are eligible for membership—I am testifying against the legislation pending here today. We favor continuing the 105 percent resale policy of CCC which has worked out so well. This has been especially true during the last several years that Congress has provided farmers with legislation for highly effective wheat and feed grain programs.

We don’t want you to upset the applecart now by changing this CCC sales price policy. The farm bill you passed at the last session gave a lot of flexibility to our farm programs, and gave USDA a chance to be flexible, too. The 1965 act put the United States in the position of being better able to bargain in the world. Wheat prices at their support level were made internationally competitive, the first time in many, many years.

And consumer prices for grains are relatively fair and reasonable. I don't mean only for human consumption. I mean also for livestock growers. We in the National Farmers Organization don't want our livestock feed costs to increase because of unreasonable high CCC resale prices. To increase the resale sales policy would serve only to slash our returns from livestock growing, which now are beginning to recover after a disastrous downswing in recent years.

I have been much encouraged by reports from Washington concerning the success of the wheat and feed grain programs since Mr. Freeman became Secretary of Agriculture. He's doing a grand job. I'd hate to see you try to hobble his effectiveness in dealing with wheat and feed grain overproduction by trying to impose higher, unreasonable pricing levels for resale of CCC commodities.

The 5-percent margin which has been in effect these many years has worked out OK as a minimum. Under certain circumstances, the Secretary has discretion, as I understand it, to increase that sales minimum. He did it a while back in order to resume CCC wheat sales after a lapse of several months. By resuming it at 108 percent, he didn't upset the marketplace.

It's pretty plain to see that farmers who move their grain within a few months after harvest aren't in the wealthy class. Speculators in the markets aren't particularly interested in the level of returns to farmers.

So any money that is made by grain market operators by and large doesn't get back to the dirt farmers who try to get a decent price for their harvest.

That's why we all are so glad to have the farm programs. They are the only thing that stands between the individual farmer and desperately low prices under conditions of overproduction. The programs stabilize prices and tend to assure a farmer a reasonable return for his hard work.

Like most farmers, I would like to see every farm produce to its fullest capability. A high quality, bountiful crop is a wonderful thing for a farmer's peace and happiness. It is like parents feel in the golden years of their life when they have a large, close-knit family of happy, healthy, and successful sons and daughters.

But bountiful crops need to be moved into markets, just like youngsters must grow up and take their share of responsibilities in the world.

So farmers as a group are happy when they see that their Government is helping make more world markets available for the major commodities like wheat and feed grains. Wheat loan levels are down to about world price levels so this Nation can be more competitive. More wheat is moving into normal export than ever before. But if you jack up the resale price of CCC wheat, you are in effect sticking Uncle Sam, and in turn all of us taxpayers, for a lot more costs. The more you add on to resale prices of CCC, the greater must be the subsidy payment to wheat exporters in order to bring the price back down to world market levels. It seems to me that is a pretty thoughtless thing to do.

Price stabilization at fair and reasonable levels of return to producers is a constant goal, not only to farmers, but also to consumers. I think it is the Government's duty to its citizens to seek this stabilization. Farmers don't want prices to drop disastrously. And consumers don't want food prices to skyrocket. The CCC sales policy at 105 percent is a good one, and if it is raised permanently to an arbitrarily higher level, it ties the hands of USDA so that it can never move much of its large stocks of commodities. We believe in safe reserves, but we don't want a big surplus hanging over the market. To boost the sales level much higher also will cripple the wheat-feed grain program interchangeability. There is a lot of substitution in these programs, and a great deal of feed wheat is being raised. The feed value relationship between corn and wheat relative to price support loan levels is reasonably close. Jack up that wheat resale level, and right away there's trouble because the gap will widen, and no more wheat can be profitably grown for feed.

Yes, gentlemen, it seems clear to me and to the working farmers in our organization that you shouldn't tamper with success of the long-established CCC sales policy.

NFO is not in favor of fighting success. The country is making pretty fair progress on wheat. We are getting surpluses down and income up. We are about to get full parity on the domestic part of our wheat production. We are competing for markets and are going to compete even better. Let's keep the program about like it is.

COLUMBIA, Mo., February 7, 1966.

HON. ALLEN J. ELLENDER,  
*Chairman, Senate Committee on Agriculture and Forestry,*  
*Senate Office Building,*  
*Washington, D.C.*

DEAR MR. CHAIRMAN: Due to adverse weather conditions, we of Midcontinent Farmers Association were not able to be present at your recent hearings on Senate bill 2785, Commodity Credit Corporation resale level on wheat. We called Mr. Henry Casso, economist, and asked permission to file a short statement. Mr. Casso advised such a statement would be accepted for the record.

It was our pleasure to work with you and the other distinguished members of your committee in the development of the Agricultural Act of 1965. Mr. Heinkel, our president, was Chairman of the first Committee appointed by the President in 1961 to help work out the fundamental principles of this program, and we have supported those principles since 1961 and will continue to do so.

These programs to date have been quite popular with farmers, and the producer participation has attained the desired results. It is our confirmed belief that cooperators in these various programs must be rewarded for their cutback in production and their participation in the program. The level at which the Commodity Credit Corporation sells commodities on the market is today the only effective device to assure cooperators in these programs of receiving the desired benefits to which they are justly entitled.

For this reason alone we urge that no change be made for the resale level of wheat. The basic principle in the Agricultural Act of 1965 is to provide increased income for farmers, reduce Government costs, increase foreign exports, and to make available farm programs with all commodities having entitlement to their fair share of income possibilities. If the 115-percent feature were adopted for wheat, it would immediately create an imbalance between wheat and feed grains, thereby creating a major problem for all commodities. As a matter of fact, this concession which would be beneficial as we see it only to trade interests could well jeopardize all of our existing farm legislation as it pertains to production adjustment and price supports.

We in the Midcontinent Farmers Association would like to join others in urging you and your committee to retain the present sales levels which are today being used to determine the sale price of Commodity Credit Corporation stocks.

Yours very truly,

MIDCONTINENT FARMERS ASSOCIATION,  
L. C. (CLELL) CARPENTER, *Vice President.*





