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# CLASSIFICATION OF DEPARTMENT OF AGRICULTURE BUDGET

GOVERNMENT

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## HEARING

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON

AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

### S. 3699

A BILL TO REQUIRE THE SECRETARY OF AGRICULTURE AND THE DIRECTOR OF THE BUREAU OF THE BUDGET TO MAKE A SEPARATE ACCOUNTING OF FUNDS REQUESTED FOR THE DEPARTMENT OF AGRICULTURE FOR PROGRAMS AND ACTIVITIES THAT PRIMARILY STABILIZE FARM INCOME AND THOSE THAT PRIMARILY BENEFIT CONSUMERS, BUSINESSMEN, AND THE GENERAL PUBLIC, AND FOR OTHER PURPOSES

OCTOBER 11, 1966

Printed for the use of the Committee on Agriculture and Forestry



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COMMITTEE ON AGRICULTURE AND FORESTRY

ALLEN J. ELLENDER, Louisiana, *Chairman*

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BY

COTYS M. MOUSER, *Chief Clerk*

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

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| DONALD RUSSELL, South Carolina    |                               |

II

OCTOBER 11, 1950

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## CONTENTS

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Statement of—

	Page
Christianson, Edwin, vice president, National Farmers Union, St. Paul, Minn.....	26
Graham, Harry L., legislative representative, National Grange.....	10
Grant, Charles L., Director, Office of Budget and Finance, U.S. Department of Agriculture.....	17
Hampton, Robert N., director, Marketing Services, National Council of Farmer Cooperatives.....	36
Healy, Patrick B., assistant secretary, National Milk Producers Federation.....	32
Hendrickson, Roy F., executive secretary, National Federation of Grain Cooperatives.....	29
Johnson, Reuben L., director, Legislative Services, National Farmers Union.....	29
Lynn, John C., legislative director, American Farm Bureau Federation.....	35
McGovern, Hon. George, a U.S. Senator from the State of South Dakota.....	25
Mondale, Hon. Walter F., a U.S. Senator from the State of Minnesota.....	4
Mundt, Hon. Karl E., a U.S. Senator from the State of South Dakota.....	11
Pearson, William B., master, Minnesota State Grange, Ogilvie, Minn.....	9
Reed, Otie M., executive director, National Creameries Association.....	9
Sickels, Harvey, secretary, National Farmers Organization, Corning, Iowa.....	33
Young, Hon. Milton R., a U.S. Senator from the State of North Dakota.....	15
<b>Miscellaneous documents:</b>	
S. 3699, 89th Congress.....	1
Report from Department of Agriculture.....	2
Report from the Bureau of the Budget.....	3
Breakdown of agricultural budget according to S. 3699.....	6
Editorial from the Minnesota Farmer.....	8
Resolution of the directors of the Wild Rice Electric Cooperatives, Mahanomen, Minn.....	10



# CLASSIFICATION OF DEPARTMENT OF AGRICULTURE BUDGET

TUESDAY, OCTOBER 11, 1966

U.S. SENATE,  
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,  
MARKETING AND STABILIZATION PRICES OF THE  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 324, Old Senate Office Building, Senator Spessard L. Holland (chairman of the subcommittee) presiding.

Present: Senators Holland, McGovern, Mondale, and Young of North Dakota.

Senator HOLLAND. The subcommittee will please come to order.

The hearing first is on S. 3699 by Senator Mondale, of Minnesota, and others. I ask first that the bill be inserted in the hearing record. (The bill S. 3699 referred to follows:)

[S. 3699, 89th Cong., 2d sess.]

A BILL To require the Secretary of Agriculture and the Director of the Bureau of the Budget to make a separate accounting of funds requested for the Department of Agriculture for programs and activities that primarily stabilize farm income and those that primarily benefit consumers, businessmen, and the general public, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of American in Congress assembled,* That (a) the Director of the Bureau of the Budget shall, with respect to all budgetary, accounting, and reporting procedures relating to programs and activities carried out by the Department of Agriculture, distinguish between programs designed primarily to augment and stabilize farm income, as described in subsection (b)(1), and programs that primarily benefit consumers, businessmen, and the general public, as described in subsection (b)(2).

(b)(1) For purposes of this Act, programs and activities carried out by the Department of Agriculture that are designed primarily to augment and stabilize farm income include:

(A) Price support operations carried out by the Commodity Credit Corporation or the Secretary of Agriculture through loans purchases, or otherwise;

(B) Acreage diversion payments;

(C) Cotton equalization payments;

(D) Programs and activities carried out under the National Wool Act of 1954, as amended;

(E) Conservation reserve program;

(F) Programs and activities carried out under the Sugar Act of 1948, as amended; and

(G) All similar or related programs and activities.

(2) For purposes of this Act, programs and activities carried out by the Department of Agriculture that primarily benefit consumers, businessmen, and the general public include:

(A) Sales of surplus agricultural commodities for foreign currencies under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended;

(B) Emergency famine relief provided to friendly foreign nations under title II of the Agricultural Trade Development and Assistance Act of 1954, as amended;

(C) Long term supply contracts entered into under title IV of the Agricultural Trade Development and Assistance Act of 1954, as amended;

- (D) Donations of agricultural commodities acquired by the Commodity Credit Corporation or the Secretary of Agriculture;
- (E) Programs carried out pursuant to the International Wheat Agreement;
- (F) The acquisition of strategic and critical materials through barter of agricultural commodities;
- (G) Food stamp programs;
- (H) The national school lunch program, and the special milk programs for children;
- (I) Loans made under the Rural Electrification Act of 1936, as amended;
- (J) Loans made under the Consolidated Farmers Home Administration Act of 1961, as amended;
- (K) Programs and activities relating to forestry;
- (L) Programs and activities relating to research;
- (M) Plant and animal disease and pest control;
- (N) Soil and water resource protection;
- (O) Conservation programs and activities;
- (P) Agricultural Extension Service;
- (Q) Meat and poultry inspection;
- (R) Marketing assistance for agricultural commodities;
- (S) The Federal crop insurance program;
- (T) Programs and activities of the Farm Credit Service;
- (U) Farmer cooperative service; and
- (V) The Commodity Exchange Authority; and
- (W) All similar or related programs and activities.

Sec 2. (a) In submitting requests for appropriations to the Bureau of the Budget, the Secretary of Agriculture shall make separate requests for appropriations that are to be used in carrying out programs referred to in subsection (b) (1) of section 2 of this Act and for those to be used in carrying out programs referred to in subsection (b) (2) of such section.

(b) All estimates of expenditures and appropriations contained in the budget submitted to the Congress pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 1 et seq.), which relate to programs carried out by the Department of Agriculture, and all requests for supplemental and deficiency appropriations submitted to the Congress pursuant to such Act which relate to such programs, shall clearly distinguish between expenditures and appropriations used or to be used in carrying out programs referred to in subsection (b) (1) of section 2 of this Act and those used or to be used in carrying out programs referred to in subsection (b) (2) of this Act.

(c) (1) No general appropriation bill providing funds for carrying out any program administered by the Department of Agriculture shall be received or considered in either the House of Representatives or the Senate unless the provisions of such bill clearly distinguish between any appropriations contained therein for carrying out programs referred to in subsection (b) (1) of section 2 of this Act and any appropriations contained therein for carrying out programs referred to in subsection (b) (2) of this Act.

(2) Paragraph (1) of this subsection is enacted by the Congress (A) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they shall be considered as part of the rules of each House, and (B) with full recognition of the constitutional right of either House to change such rule (insofar as it relates to such House) at any time, in the same manner and to the same extent as in the case of any other rule of such House.

Senator HOLLAND. Secondly, I have a report from the Department of Agriculture signed by Secretary Freeman, dated September 30, 1966, addressed to Senator Ellender, the chairman of our full committee. I ask that that report be placed into the record.

(The report referred to follows:)

DEPARTMENT OF AGRICULTURE,  
Washington, D.C., September 30, 1966.

HON. ALLEN J. ELLENDER,  
Chairman, Committee on Agriculture and Forestry,  
U.S. Senate.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 3699, a bill to require the Secretary of Agriculture and the Director of the Bureau of the Budget to make a separate accounting of funds requested for the Department of Agriculture for programs and activities that primarily stabilize farm income and those that primarily benefit consumers, businessmen, and the general public, and for other purposes.

The bill directs the Secretary of Agriculture, in submitting requests for appropriations to the Bureau of the Budget, to make separate requests for those programs that (1) are designed primarily to augment and stabilize farm income, and (2) primarily benefit consumers, businessmen, and the general public. It also prescribes that all estimates of expenditures and appropriations contained in the budget submitted to the Congress shall clearly distinguish between these two groups of programs. The bill further enumerates the programs to be included in each group.

The Department is sympathetic with the objectives of this bill, but we do not believe it will accomplish more than the procedures presently being followed.

At the present time appropriations requested for the Department are classified in the President's budget according to the major purpose or function involved. The budget places the Department's programs and activities in the following functional categories: Agriculture and Agricultural Resources; Natural Resources; Labor and Welfare; and International Affairs and Finance. Included in Agriculture and Agricultural Resources is a subfunction for Farm Income Stabilization. This includes programs and activities predominantly for farmers.

Nearly all of the activities carried out by the Department of Agriculture have general public benefits. We have found that there is no objective way to clearly allocate these benefits between specific groups such as farmers, businessmen, and consumers. This is true because these benefits are spread so widely among all segments of the economy. The classification indicated in S. 3699 is on the basis of the primary beneficiary and does not fully reflect the benefits derived from the various activities.

The functional classification used in the President's budget, together with other ways of classifying the Department's programs and activities, was intensively considered by both the Department and the Bureau of the Budget several years ago. This action was in response to a request contained in the Report of the Senate Committee on Appropriations on the 1962 Department of Agriculture and Related Agencies Appropriation Bill.

At that time the possibility of classifying expenditures according to beneficiary was explored. It was concluded that in the interest of a clearer public understanding of the Department's programs, a classification according to major purposes would be more feasible and appropriate.

Apparently the name "Department of Agriculture" or the title of our appropriation act "Department of Agriculture and Related Agencies Appropriation Act" causes some to construe the word "agriculture" as synonymous with "farmers". Based on past efforts in this area, we do not believe that a different classification in the budget or in the appropriation act can overcome this tendency on the part of those who look upon the matter in this superficial way. Therefore, we do not believe the bill would solve the basic problem of obtaining a better public understanding of the widespread benefits from the activities conducted by this Department.

The Bureau of the Budget advises that there are no objections to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

ORVILLE L. FREEMAN.

Senator HOLLAND. Third, we have a report on the same bill, a report from the Bureau of the Budget to Senator Ellender on this same bill. That report will be placed in the record.

(The report referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., September 30, 1966.

HON. ALLEN J. ELLENDER,  
Chairman, Committee on Agriculture and Forestry,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 3699, a bill to require the Secretary of Agriculture and the Director of the Bureau of the Budget to make a separate accounting of funds requested for the Department of Agriculture for programs and activities that primarily benefit consumers, businessmen, and the general public, and for other purposes.

The bill directs the Director of the Bureau of the Budget to make a separate accounting of funds requested for the Department of Agriculture for those programs that (1) are designed primarily to augment and stabilize farm income, and (2) primarily benefit consumers, businessmen, and the general public. It also prescribes that all estimates of expenditures and appropriations contained in the

#### 4 CLASSIFICATION OF DEPARTMENT OF AGRICULTURE BUDGET

budget submitted to the Congress shall clearly distinguish between these two groups of programs. The bill further enumerates the programs to be included in each group.

Because of the many and varied programs of the Department which have a significant impact on all areas of the economy, we do not believe that it is practicable to prepare a classification based primarily upon the groups which benefit from such expenditures. It is easily demonstrated that within functional areas certain classes of people, such as consumers, businessmen, and farmers are benefited. Many programs are of benefit to several groups. There is no objective way to assign the expenditures for the many programs to the various groups without being quite arbitrary.

The budget is essentially a series of recommendations by the President to the Congress. We believe that the President should be free to make such recommendations as he thinks are in the national interest, and he should be allowed to arrange and compile them in the form which in his judgment make his proposals most clear and understandable. As social and political conditions change, the President needs flexibility to rearrange and adjust his budget to reflect the current situation. That flexibility is destroyed when the existence of specified functions and the classification of certain expenditures is frozen into law. The classification of functions in the Budget in an orderly and systematic fashion can be achieved only through the careful application of well-conceived principles to the entire range of governmental programs. To deal with specific programs on a piece-meal basis could eventually destroy the validity of the entire system of functional classification.

After careful consideration of this matter, we have concluded that the present method of classification according to major purposes is more feasible and appropriate. Accordingly, we recommend against the favorable consideration of the bill.

Sincerely yours,

WILFRED H. ROMMEL,  
*Assistant Director for Legislative Reference.*

Senator HOLLAND. We have next, testimony by the author of the bill, Senator Mondale.

We will be glad to hear from you, Senator.

#### STATEMENT OF HON. WALTER F. MONDALE, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator MONDALE. Mr. Chairman, I am grateful to you, as are the other sponsors of S. 3699, for your willingness to schedule these hearings at this difficult time of the current session. Your thoughtfulness and graciousness are appreciated by all of us.

Senator HOLLAND. We are very glad to conduct the hearing.

Senator MONDALE. Even though it appears unlikely that we will be able to obtain final passage of this measure this year, in holding these hearings we will be carrying out the very purpose of the legislation, which is to make quite clear to the public that the budget of the Department of Agriculture is not a \$7 billion subsidy to the American farmer. We are also laying the groundwork for further action on this bill in the 90th Congress. I was most pleased that some 19 Senators of both political parties, and representing, in effect, virtually every farm champion in the Senate, joined in this measure, and I think they have all done so for the reasons which I am about to describe; namely, that if we are going to have the support we need for these farm programs, we must have public understanding of the details and of the realities of the farm budget.

I think that the present budgeting system helps to promote a widespread misunderstanding of that budget and its uses. We can win greater support for our Federal farm programs and recognition of the goals they are designed to achieve if S. 3699 is adopted, because the fact is that two out of every three dollars spent by the Department of Agriculture go for programs which are of clear benefit to

everyone in the United States—such as the U.S. Forest Service, and the Meat and Poultry Inspection Service, and many others.

If that fact were clearly and widely understood, there would be no need for this bill. But unfortunately, the myth that all this money is paid to the farmer does exist, and these hearings can serve a useful public purpose in helping to destroy it. That is why we are grateful to the chairman of this subcommittee for his courtesy in permitting us to have this hearing.

The American farmer is tired of being accused of annual Treasury raids, of being told that he somehow each year puts in his pocket enough of the Agriculture budget to enable him to live well, and tired of being told that he never had it so good.

And well he might be tired—for the truth is he doesn't "have it so good." Latest figures indicate that per capita farm income is only 64 percent of nonfarm per capita income, despite the encouraging improvement in farm income during the last 6 years.

I think it is a gross injustice to accuse the American farmer of receiving a \$7 billion gift from the Department of Agriculture each year, when the facts show just the opposite.

The latest breakdown prepared by the Department of Agriculture Office of Budget and Finance shows that of the 1965 actual expenditures of \$7,298 million by the Agriculture Department, only \$2,659 million or about 36 percent, was spent on programs predominantly for farm income support. And I might say, a vast proportion of that will be recovered in various ways. The remainder went for programs of clear benefit to consumers, businessmen, and the general public, such as—

Meat inspection, \$38.3 million;

Poultry inspection, \$17.9 million;

All other inspection, grading, classification, and standardization activities carried out by the Consumer and Marketing Service, \$12.7 million;

Special milk program, \$87 million;

School lunch program, \$179 million;

Food stamp program, \$34 million;

Public Law 480 programs, \$1.6 billion;

Indirect subsidy to the U.S. merchant marine through payment of shipping costs in higher cost U.S.-flag vessels, \$69 million;

U.S. Forest Service, \$227 million; and

Rural electric and telephone loan program, \$381 million, which has an almost perfect repayment record, but is never credited to the farm budget, virtually all of which will be repaid.

And, while the Department has not been able to prepare an exact compilation based on actual 1966 expenditures, a preliminary estimate completed yesterday shows farm income expenditures of only about 28 percent of the total 1966 Department expenditures. In other words, the percentage of the total agricultural budget going for farm income maintenance as distinct from general public purposes has dropped.

At this point I would like to include in the record, Mr. Chairman, the U.S. Department of Agriculture prepared budget expenditure report setting forth the details of the point that I was just making.

Senator HOLLAND. Without objection that will be included in the record.

(The budget expenditure report referred to follows:)

6 CLASSIFICATION OF DEPARTMENT OF AGRICULTURE BUDGET

DEPARTMENT OF AGRICULTURE

Budget expenditures fiscal year 1965, preliminary 1966, and estimated 1967

[For the fiscal year 1967, adjustments have been made to reflect congressional action on the budget submitted to the Congress last January. Other changes in 1967 expenditures cannot be projected at this time. Therefore, the amounts shown for 1967 are tentative and subject to change]

[In millions of dollars]

	1965	1966 preliminary	1967 estimated
Programs which clearly provide benefits to consumers, businessmen, and the general public:			
Programs having foreign relations and defense aspects:			
Sales of surplus agricultural commodities for foreign currencies (title I, Public Law 480)-----	1,293	1,138	994
Emergency famine relief to friendly peoples (title II, Public Law 480)-----	147	223	283
Donations of commodities acquired by CCC-----	211	191	200
International Wheat Agreement-----	35	10	3
Transfer of bartered materials to supplemental stockpile-----	41	26	41
Long-term supply contracts (title IV, Public Law 480)-----	200	233	262
Donations of dairy products to armed services and others-----	41	9	17
Total-----	1,968	1,830	1,800
Food distribution programs:			
Commodities distributed to the needy and others-----	393	232	228
Food stamp plan-----	34	69	138
School lunch program-----	179	197	245
Special milk program-----	87	97	104
Total-----	693	595	715
REA and FHA repayable loans:			
REA loans-----	381	361	270
FHA loans-----	247	133	-10
Sale of participation certificates in FHA direct loans-----			-549
Salaries and expenses for above programs-----	53	60	65
Total-----	681	554	-224
Long-range programs for the improvement of agricultural and natural resources:			
Forestry-----	323	348	415
Agricultural and forestry research-----	192	218	254
Plant and animal disease and pest control-----	682	76	72
Soil and water resource protection and development-----	214	228	307
Agricultural conservation program-----	253	238	277
Cooperative agricultural extension work-----	85	90	93
Inspection and other marketing services for agricultural commodities-----	76	80	87
Other-----	86	88	108
Total-----	1,297	1,366	1,613
Total-----	4,639	4,345	3,904
Other programs which are predominantly for stabilization of farm income, but which also benefit others:			
CCC price-support and related programs:			
CCC loan, purchase, export, and related programs-----	-369	-1,277	-903
Storage, handling, and transportation expenses-----	422	406	315
Interest expense, net-----	442	278	291
Acreage diversion payments:			
Feed grains-----	914	842	655
Wheat-----	33	38	20
Cotton-----		116	237
Price-support payments:			
Feed grains-----	282	431	695
Cotton-----	51	57	496
Cotton equalization payments-----	435	332	
National Wool Act program-----	20	34	44
Total-----	2,230	1,257	1,850
Cropland adjustment program, adjustment payments-----			42
Conservation reserve program-----	194	151	140
Sugar Act program-----	92	82	88
Salaries and expenses for above programs-----	143	151	159
Total-----	2,659	1,641	2,279
Grand total-----	7,298	5,986	6,183

Senator MONDALE. The farmer is in effect giving away part of his income to make American food the best buy in the world today, and statements that imply he pockets these huge sums rightly infuriate him. Only one-third of the \$7 billion goes for farm income support—and, at that, is one of the best investments we are making today. The American farmer has contributed tremendous efficiency and productivity to our economy—so much so that if the price of food had increased as much as the price of all other products since 1952, the housewives of America would have had to spend over \$7 billion more for food last year than they actually did.

In addition, the farmer has made substantial contributions to other areas of national welfare. U.S. exports of agricultural commodities have reached a record high of \$6.7 billion in the fiscal year ended June 30, 1966, and cash sales accounted for 75 percent of that total, making agriculture our biggest dollar earner in world trade, and our biggest help toward a favorable balance of payments.

Farmers contribute to our national economy in another significant way. Gross farm income will reach a new high of \$48 billion this year, and the farmer will spend roughly \$32 billion of it for seed, fertilizer, farm equipment, fuel and gasoline, and so on. Farming uses more petroleum than any other single industry. Farm use of steel, for example, accounts for about 40,000 jobs in the steel industry. Agriculture-related business is a major employer in the United States, and 3 out of every 10 jobs in private employment can be traced to the farmer. Six million workers provide supplies farmers use for production and family living. Eight to ten million people have jobs handling, processing, and selling agricultural produce.

And lastly, American farmers provide the margin against the tide of famine and starvation swelling in the underdeveloped nations of the world. A starving world is a restless and violent world, and thus our farmers and farm abundance are in the first line of defense of world peace.

So there is not doubt in my mind about the wisdom and desirability of continuing our farm programs. They have helped keep our farm economy alive, and are improving its undeniably low income position. A Library of Congress study estimated that without the Federal farm programs, farm income might very well be halved. This would be a disaster for the farmer—and for the Nation.

We therefore have to look toward continued efforts to maintain and improve farm income—to keep the amazing American family farmer in business. And this leads to the reason why I believe we need the fair farm budget bill enacted into law.

The Congress of the United States reflects to an increasing degree the fact that only 7 percent of the people of the United States live on farms—while the vast majority are urban or suburban dwellers. If a significant portion of the 93 percent urban population continues to believe the myth that the agriculture budget is a wasteful, horn-of-plenty pouring billions into the farmers' pockets, then it will be increasingly difficult to obtain the necessary support in the Congress for existing farm income support programs, and those which may become necessary in the future.

And so this bill is designed to reflect a more accurate picture of the benefits flowing from these expenditures. It requires that the Budget Bureau and the Department of Agriculture make a distinction in their

budget requests and submissions between those programs which are primarily for farm income support, and those which provide clear benefits to the general public. The bill also specifies which programs are to be considered and listed under each category.

While these classifications may be subject to argument in individual cases, I believe the only real problem with this bill is that it may tend to submerge the facts that the one-third spent on farm income support programs also provides a clear benefit to the general public by helping to maintain a healthy and sound agricultural economy, and I also might add, fails to disclose that a good portion of this is repaid into the Treasury.

With this breakdown in the budget, I believe we can show the public what they are getting for their tax dollar—and pinpoint areas where we need to devote more effort.

I have been much encouraged by the many letters and calls of support for this effort—both from the organized farm groups and from individual farmers in Minnesota, and I might add, from bipartisan support reflected here in the Senate. They are all well aware of the unjust attacks on the size and distribution of the agriculture budget, and acutely aware of the resulting, mistaken notion that the farmer is well off. I believe enactment of this legislation would help remove a major roadblock toward restoring the farm economy to a decent income level on a par with that of the rest of our economy.

In conclusion, I would like to have printed in the hearing record an editorial from the August 20, 1966, edition of the *Minnesota Farmer*, a statement by Mr. William B. Pearson, master of the State Grange of Minnesota; a letter from Mr. Otie M. Reed, executive director of the National Creameries Association; and a resolution from the Wild Rice Electric Cooperative of Mahanomen, Minn.; and a letter from Mr. Harry Graham, legislative representative of the National Grange—all in support of this measure.

Senator HOLLAND. Without objection, they will be included in the record.

(The documents referred to follow:)

[From *Minnesota Farmer*, Aug. 20, 1966

#### A BILL THAT SHOULD BE PASSED

Long since grown weary of hearing and reading the tale that farmers are treasury raiders, that they somehow transfer about \$7 billion from the Federal Treasury into their pockets each year, a group of farm state U.S. senators are attempting to set the record straight and keep it that way.

On Aug. 8, Senator Walter F. Mondale of Minnesota introduced in the Senate a bill he calls the Fair Farm Budget Act. If passed, it would break the Department of Agriculture Budget into two parts. One part would show those expenditures designed to strengthen and protect farm income. The other would show expenditures for programs which benefit the public generally.

The Mondale bill has strong backing. It includes as co-sponsors Republican Senators Karl Mundt of South Dakota, Milton Young of North Dakota, and Jack Miller of Iowa. Democrat co-sponsors are Senators Quentin Burdick of North Dakota, George McGovern of South Dakota and Gaylord Nelson and William Proxmire of Wisconsin.

In introducing the bill, Senator Mondale said: "It is my hope this legislation will end once and for all the myth that the American farmer is reaping a rich bonanza from the taxpayer when in fact only one out of every three dollars in the Agriculture budget goes for farm income support." Of last year's \$7.2 billion budget, only \$2.6 billion was spent on supporting and strengthening farm income. All of the balance—\$4.6 billion went for programs which clearly benefit every man, woman, and child in the United States, he declared.

Cited as examples of expenditures that should not be charged to agriculture are \$1.6 billion for the food for peace program; \$227 million for the U.S. Forest Service; \$69 million indirect subsidy for The Merchant Marine; \$202 million for the school lunch program; \$371 million for rural electrification and telephone loans which "are always repaid, but without crediting the Department of Agriculture budget."

In his comment about the bill, South Dakota Senator Mundt said: "Even of those programs which relate directly to farm income, a good many, such as agricultural research and resource conservation, provide benefits to the general public important in developing techniques to wipe out disease, for example, or to achieve wise and constructive use of water resources."

We hope the Congress passes the bill. To charge agriculture with the cost of all of USDA's far-flung activities is wrong, and does farmers a greater and greater disservice as the Department engages in more and more non-agricultural activities.

---

STATEMENT OF WILLIAM B. PEARSON, MASTER, MINNESOTA STATE GRANGE, OGILVIE, MINN.

The State Grange of Minnesota emphatically supports the fair farm budget bill, S. 3699.

This legislation will require the Budget Bureau to distinguish clearly in its budgetary, accounting, and reporting procedures between money spent primarily for the purpose of stabilizing farm income and programs that benefit consumers, businessmen and the general public. It requires the same distinction in requests for appropriations submitted by the Department of Agriculture, and requires that general appropriation bills make this distinction clear.

When consumers read in their daily papers that approximately \$7 billion is appropriated annually for the Department of Agriculture their belief is that all of these funds are for the benefit of we who till the soil. Few realize, and our metropolitan daily's in their statements add to the confusion, that about two-thirds of the \$7 billion is for programs which benefit the business man, consumer and general public.

The Grange members of Minnesota believe that it is high time that the true facts are brought to the attention of the public. We believe that passage of S. 3699 will accomplish this end. We, therefore, urge its passage by the committee.

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WASHINGTON, D.C., October 6, 1966.

HON. WALTER F. MONDALE,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR MONDALE: We have your press release dated October 3, 1966, that the Senate Agriculture Committee will hold hearings starting Tuesday, October 11, 1966, on the "Fair Farm Budget Bill," introduced by you and co-sponsored by nineteen other Senators of both parties.

Unfortunately, prior commitments to attend meetings in Minnesota make it impossible for me to appear in person before the Senate Agriculture Committee in support of this bill. Accordingly, I would very much appreciate it if you would insert this letter in the record of the hearings at the appropriate point. The National Creameries Association fully supports the bill and thinks it highly desirable that it be acted upon favorably.

National Creameries Association, as you no doubt know, is composed of dairy processing plants, principally cooperative, located in the States of Minnesota, Wisconsin, South Dakota, Nebraska, Kansas, Iowa, and Oregon. Our members are engaged primarily in the manufacture of dairy products, particularly butter and nonfat dry milk. However, a number of our plants also ship Grade A fluid milk to fluid milk markets, some manufacture cheese—in short, our membership handles a full line of dairy products and, as noted above, our members are fully in accord with the bill you introduced.

The great merit of this bill, if enacted, will be that it will make it possible to clarify the uses to which public money is being put in respect to agriculture and the fact that a great deal of the annual budget of the U.S. Department of Agriculture is for the benefit of the public generally and businesses which deal in and handle agricultural products in this country, whereas a part of the budget is used for price support and other types of programs of specific interest to dairy producers in maintaining and enhancing farm income.

10 CLASSIFICATION OF DEPARTMENT OF AGRICULTURE BUDGET

We feel it is highly important that the public and nonfarmers generally be brought to realize that a very significant portion of the budget of the U.S. Department of Agriculture is for their benefit. We feel that, heretofore, the public and non-farmers generally have believed, or have been led to believe, that the entire budget goes for the direct and specific benefit of producers or, in other words, that producers are getting a hand-out. This, of course, is an entirely erroneous position and we think it highly desirable that the budget be so handled and categorized as to permit full and complete disclosure to the public and non-farmers generally of the fact that a major portion of the U.S. Department of Agriculture's annual budget is for their benefit.

Thanking you for your courtesy, I am,

Sincerely yours,

OTIE M. REED,  
*Executive Director,*  
*National Creameries Association.*

RESOLUTION BY THE WILD RICE ELECTRIC COOPERATIVE, INC., OF  
MAHNOMEN, MINN.

Whereas it has long been apparent that the present method of accounting of funds requested by and appropriated to the Department of Agriculture presents a distorted and inflated image to the general public of the amount of money actually used in stabilizing farm income,

And, whereas Senate Bill 3699 will clearly distinguish those funds primarily benefiting farmers from those requested and expended by the Department of Agriculture for programs and activities which are of primary benefit to other segments of the economy and the general public.

Now therefore be it resolved that we, the directors of Wild Rice Electric Cooperative, Inc. of Mahnomen, Minnesota, hereby commend Senator Walter Mondale of Minnesota for his introduction of Senate Bill 3699, also known as the Fair Farm Budget Act.

And be it further resolved that we pledge our support for this bill and we urge its enactment.

MILO B. HANSON, *President.*  
HJALMAR PEDERSON, *Secretary.*

WASHINGTON, D.C., October 10, 1966.

HON. WALTER MONDALE,  
*U.S. Senate,*  
*Washington, D.C.*

DEAR SENATOR MONDALE: Due to the fact that I must be out of town on October 11, I would like to voice the National Grange's support for S. 3699 in this letter to you.

At the 1964 Annual Session of the National Grange, the Delegate Body passed the following resolution:

"Whereas, there is a lack of understanding on the part of the general public as to the use of funds of the United States Department of Agriculture, in that they believe an inordinate share is used directly to benefit the farmer, and

"Whereas, despite the great contributions of agriculture to the entire United States and world economy, the actual facts are that over half of USDA appropriations are used for other than direct agricultural payments; therefore, be it

"Resolved, that the National Grange work with the USDA and all farm organizations in advising and educating the citizens of this country as to the importance of agriculture and its contributions to the economy."

This is the purpose of your bill, the Fair Farm Budget Act. In my judgment, the need for this kind of legislation has been accelerated during the last year, with the misunderstanding of USDA appropriations perpetuated in the press.

We sincerely hope your distinguished colleagues in the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices will act promptly on this measure with a favorable report for its passage.

Respectfully yours,

HARRY L. GRAHAM,  
*Legislative Representative, National Grange.*

Senator HOLLAND. I congratulate you upon the statement and also upon the effort.

For a long time the members of this committee have realized that there has been public misunderstanding of the Agriculture budget, and perhaps the enactment of this bill in its original, or perhaps in a modified form, will correct that situation.

I see the Senator from North Dakota here, who for a long time on the floor of the Senate and otherwise, has taken strongly the position that the budget of the Agriculture Department required better understanding, and better handling. I note he is one of the introducers of this pending bill, which I would have expected to be the case.

I will be glad to yield to him for any questions that he might want to address to the witness.

Senator YOUNG. I want to thank you, Mr. Chairman, for your comments. My interests in this, and I may say that the present chairman of Senate subcommittee on agriculture appropriations as well as the former chairman, Senator Russell, have been concerned about this same problem, and we feel that we are in good company with you in sponsoring legislation. Maybe this will accomplish what we were not able to accomplish in the past through Executive action.

I have a statement, Mr. Chairman, but I will follow Senator Mundt, if you don't mind. I have a short statement.

Senator HOLLAND. All right. I may have some questions later, but since we all have to go elsewhere, I will be glad to recognize Senator Mundt.

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

Senator MUNDT. Thank you, Mr. Chairman. As you know, I am one of the cosponsors, with the distinguished Senator from Minnesota, of S. 3699, a constructive bill which will provide to the American people a separate accounting of funds requested by the Department of Agriculture for programs and activities that primarily stabilize farm income, and those that primarily benefit consumers, businessmen and the general public.

Fundamentally, this is not a bill to educate the Members of the Congress, although even with this knowledgeable group, the proposed breakdown in budgetary accounting will be of great value, because sometimes some of our friends in the Congress who are not from agricultural areas tend to confuse the reasons for these prodigious appropriations that we are called upon to make, large amounts of which certainly should not be chargeable against the American farmer.

Fundamentally, it is designed to destroy misconceptions on the part of the general public with respect to the utilization of the funds appropriated for the Department of Agriculture. The Department of Agriculture actually provides major assistance to every citizen of this great Nation.

The city press is replete with editorials implying that farmers are the recipients of some \$7 billion which was the total amount spent by the USDA during the 1965 and 1966 fiscal years. Actually, probably \$2 out of every \$3 results in major benefits to the entire Nation.

The appropriations for the USDA have a much broader connotation than the single dimension view of commodities and farmers. While we must have good farm commodity programs, properly administered, this is only part of the story.

Scientific research is responsible for much of our present day agricultural progress. In the last 10 years production per man-hour in farming has doubled. We are producing more with fewer people than ever before in our history. The outlays for research are benefiting all of us. For, out of this productivity, has come a greater variety of more nutritious food at less cost in hours of labor in our history. In fact, I believe it is true that the workingman's hour in this country buys more food than it does in any other civilized country of the world, and that in itself is a great tribute to the general public service of the scientific program on research.

Our increasing population is utilizing its increased leisure time by taking extended vacations and thereby placing new demands on our natural resources. There is an expanding appetite by the people in the cities and suburbs for outdoor recreation which only land, water, forests and the green countryside can satisfy. The visits to the national forests have more than tripled in the last 10 years. Yet, the farmer is charged with \$227 million for the U.S. Forest Service, even though receipts by the same service approximately equaling this amount are paid into the general Treasury without providing the credit to the farm budget.

Urban students are the major beneficiaries of the national school lunch program, and yet it is charged to the farmer.

Also, the \$100 million food stamp program provides major benefits to urban people, and yet it is charged to the farmer.

Senator HOLLAND. Will you yield there?

Senator MUNDT. Yes.

Senator HOLLAND. The appropriation this year for the food stamp program has gone up to \$140 million.

Senator MUNDT. Charged to the farmer.

Senator HOLLAND. Charged to the farmer, and one of the items complained of on the floor yesterday by one of our distinguished friends, is because of the rise of the Agriculture budget this year over last year. That is one of the principal items.

And another one is the very honest effort of the Budget Bureau and the administration and the Congress to bring the Commodity Credit Corporation into a fiscally sound position by restoring to it deficits which heretofore have been more or less swept under the rug.

I commend the Senator from South Dakota along with the Senator from Minnesota on providing this vehicle to straighten out some such things as this.

Senator MUNDT. Thank you, Mr. Chairman. And may I say that during the many long years I served around this table with you and my distinguished friend from North Dakota and the other members of the Agriculture Committee, we frequently took time off from deliberations on the bill to sort of pull out our hair and discuss the fact that we were compelled to appropriate funds of this kind, and then when we go down to a lower floor in another building, where you serve so well as chairman of the Agricultural Subcommittee of Appropriations, along with Senator Young and myself and the rest of the members of our subcommittee, many many times I know we have

digressed by the hour to discuss the fact that we are compelled to appropriate under the umbrella of Agriculture for a lot of services that are completely unrelated.

When we were examining sometimes some of the booklets, pamphlets or whatever you call them that are put out, you can just tell by the titles that there is no conceivable interest to the farmer. Why a pamphlet, for example, showing the best way to take stains out of clothing should be charged against the American farmer is just mighty hard to conceive—but, there it is, along with many others.

Many times we have asked the administration to separate items that should and should not be charged to the farm program at the time the budget was sent up. The Senator from Florida and I have joined in this effort. We couldn't get action in that way. We couldn't do it as legislation on an appropriation bill, and so I am very hopeful now that this legislation introduced by Senator Mondale and cosponsored by a number of the rest of us can be approved.

It seems to me it is just a question of honest packaging of a budget.

Senator HOLLAND. There is no reason why the farmer should be charged with vast amounts spent under foreign policy of this Nation, which I think in the main have been very wise and very sound in this regard, and large amounts spent under various social programs, have been mentioned here such as for food stamps, school lunch, school milk, and other such programs, and for the surplus commodity distribution program which antedated the food stamp program. But we have never been able to get the general public apparently to realize that these programs are national programs, and have no direct relation whatsoever to the farmer.

Senator MUNDT. The chairman is exactly correct. I am about to allude, for example, to the food-for-peace program, Public Law 480, which was written right around this table by the members who are here and other members. Our late friend, Andy Schoeppel of Kansas played an important part.

Senator HOLLAND. He was one of the leaders.

Senator MUNDT. He was a fine leader and it was jointly cosponsored by all of the members of the committee, which is a little bit unusual, and it has been a wonderful program in the country, and the Congress has supported it. But sure enough, it gets tabbed as a farm program.

This is part of the great cold war. You might just as well charge the U.S. Information program and the Voice of America to the farmer as to charge the food-for-peace program to the farmer, because it is a part of the whole program of trying to avert a war by winning the minds and influencing the minds of people overseas, who are in the business of helping them when they are in economic distress and need succor and food.

In 1954 two great new programs were provided to the American people and to the rest of the world. Both are charged to the Agriculture budget, but provide tremendous benefits in terms of nutrition and international policy to all of us. First, there was the special milk program for schoolchildren, for which the Congress this year overrode the recommendations of the administration in order to continue this major nutritional outlet for milk and appropriated over \$100 million. Urban students are the major beneficiaries of this program, and yet it is directly charged to the farmer.

Second, the Agricultural Trade and Development Act of 1954—our food for peace program, Public Law 480—provides the President with a most important weapon in the arsenal of foreign policy. It is of major significance to all the people—not farmers alone. Yet, this too is charged to the USDA budget. In connection with this great bipartisan program, we must insist that the administration utilize available supplies to lead a realistic war against hunger over the world. Recent evidence reveals that exports have been withheld in the mistaken notion that it would hold down consumer prices at home. The war against hunger must not become a victim of the Council of Economic Advisers and the Consumer Price Index.

Senator HOLLAND. Will the Senator yield there?

Senator MUNDT. Yes.

Senator HOLLAND. The new food-for-peace bill, which at the present time is still tied up in conference, makes it very clear that the nature of this program must be radically changed in that surpluses of grain that have existed heretofore are now nonexistent, and some other surpluses, and in large part agriculture has got to be asked to step up its production programs, without getting the premium prices or the larger prices that are allowed for domestic consumption, in order to continue this program, and I, for one, think it should be continued.

So that more and more, this program will cease to have any direct relation to meeting a problem of the farmer. To the contrary, it is going to create new problems for the farmer, to continue this program.

Senator MUNDT. Yes, certainly, unless we can step up some kind of a price support level in the open marketplace, the competitive process, or some kind of guarantees to the farmer, this may impose another hardship upon him, because he will be asked to grind out additional production for the food-for-peace program for which he is paid an inadequate and submarginal price.

So, conceivably, unless we act to protect the price support situation in some way, to create a competitive position for him in the market maybe by eliminating some of the imports we are bringing in, or some other device, or some kind of incentive payment—we will find the farmer actually being charged in the budget books for getting benefits for a program to which he is one of the great sacrificial contributors.

Senator HOLLAND. Will the Senator yield again?

Senator MUNDT. Surely.

Senator HOLLAND. One of the members of this committee has very clearly stated that this new program is asking the farmer to mine his own soil for the continuance of the foreign relations, the foreign policy program, and there is very much truth to that comment.

Senator MUNDT. Yes. It is a new venture, and it is going to require careful scrutiny, and either executive action or legislative action, in my opinion, in some area of this whole marketing process, if the farmer is not to come out at the "sticky end" of the program on this as well.

These are just a few of the examples of national benefits charged to the USDA budget, which should be separately appropriated and not charged against the American farmer.

It seems to me it is just as unjust to charge some of these programs so essential to our foreign policy to the farmer simply because agricultural products are involved. We wouldn't think of charging against American business, for example, the expenses of the Pentagon and the

Defense Department because they utilize machines which are made in factories, but willy-nilly we go ahead and charge against the Department of Agriculture the cost of the same element of war because it is all wrapped up, the cold war, the hot war, the preventive war and national defense are all wrapped up in one package.

We either avoid having a cataclysmic atomic contest or we don't, and all these are part of the conflict. But the farmer is the one using products coming from the soil and we charge that to the agricultural budget. We don't do that, because we buy trucks, tanks and so forth from General Motors; we don't charge it off against American business. We charge it properly as national defense, or to foreign policy or to AID, and that is where this program can be charged when it gets going along under this new concept, along with many of these other programs that have been mentioned.

And so, Mr. Chairman and Senator Young, I urge the passage of S. 3699. I think it will solve a problem which has been altogether too long endured.

Senator HOLLAND. Thank you, Senator Mundt, for a good statement. Senator Young.

#### STATEMENT OF HON. MILTON R. YOUNG, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator YOUNG. Mr. Chairman, it is a pleasure for me to appear in support of Senate bill 3699 of which I am a cosponsor and which would, if enacted, require a separate accounting by the Department of Agriculture of funds primarily for the establishment of farm income and those which are primarily for the benefit of consumers, businessmen, and the general public.

For years the manner in which the Department of Agriculture budget has been reported has been of great concern to me, as well as to other members of this committee. When this budget is submitted to Congress each year, the news media unfortunately lists the entire amount requested as subsidies for farmers. Millions of Americans as a result actually believe that farmers are getting subsidy checks for the full amount of the agriculture budget. Nothing could be further from the truth.

Mr. Chairman, this is the thing that concerns me most. The average person in America thinks that farmers are getting a subsidy check for this full \$7 billion or \$6 billion, whatever the budget happens to be.

This bill would separate those programs from which farmers directly benefit from those which are of primary benefit to the country as a whole. Requiring that these budget requests be made as two separate requests, would in my opinion more closely and accurately identify the true cost of our farm program. The present budgetary procedure plays directly into the hands of those who are against farm programs.

I wonder how many people actually realize the scope of activities of the Department of Agriculture which are not directly related to farm programs as such. Certainly the food-for-peace program, as worthy as it is, should not be charged to farmers. This is an excellent program and is one which has been highly successful in winning friends for the United States in the food deficit areas around the world, but

the funds appropriated for this program should not be considered as subsidy payments to farmers. It is by far the best foreign aid program we have.

The school lunch and special milk programs both are excellent programs and programs which it has been a pleasure for me to support both as a member of the Senate Committee on Agriculture and Forestry and as the ranking minority member on the Senate Subcommittee on Agriculture Appropriations, but this program too has been of much more benefit to schoolchildren in the large urban areas than it has been to farmers.

Under the present budgetary procedures, even loans made by various agencies of the Department of Agriculture appear as expenditures and in the minds of many people as direct payments to farmers. REA and RTA loans have a repayment record of nearly 100 percent. In fact, most of these loans are being repaid ahead of schedule. Loans from the Farmers Home Administration are available only to those farmers who are unable to obtain credit through regular commercial channels. The repayment record on these loans is more than 90 percent but this program, too, appears as an expenditure of the Department of Agriculture.

The sugar and the wool programs are both excellent programs designed to encourage more adequate domestic production of commodities for which we would otherwise be dependent on foreign interests. The cost of these two programs appears as an expenditure of the Department of Agriculture whereas in reality they are both self-financing, the sugar program through duties on imported sugar and through excise taxes and the wool program through duties on imported wool.

The majority of the functions of the Department of Agriculture are designed to provide the consuming public with an adequate supply of food at a fair and reasonable price and also to assure the quality of these foods. This is the function of the Meat Inspection Service as well as the Poultry Inspection Service. The Agricultural Research Service's program of reducing the incidence of tuberculosis and brucellosis in cattle has been of tremendous importance to the health and well-being of the general public. Not many people realize that the Department of Agriculture through the Agricultural Research Service played a large part in reducing the cost of producing penicillin. This price fell from about \$1,400 a pound in 1947 to \$1,000 per pound 10 years later.

Mr. Chairman, I have mentioned but a few of the many, many functions of the Department of Agriculture which are of more direct benefit to the general public. This list is much longer. I sincerely hope that this bill will be considered favorably before Congress adjourns. It will go a long way in providing the people of this country with a better understanding of the true cost of farm programs and it will also show where by far the largest share of the appropriations for the Department of Agriculture are actually spent. For many years and through several administrations, I as well as other members of this committee and the Members of Congress have been trying to get the Bureau of the Budget and the Department of Agriculture to do through executive action what we are now seeking to accomplish through this legislation.

Senator HOLLAND. That is certainly true. I don't know how many times the Senator from North Dakota has spoken out on the floor of the Senate as well as in committee and otherwise to this same point, and I hope the legislation can be approved.

Mr. Grant, Director of the Office of Budget and Finance of the U.S. Department of Agriculture is here.

Mr. Grant, we will be glad to hear you.

**STATEMENT OF CHARLES L. GRANT, DIRECTOR, OFFICE OF BUDGET AND FINANCE, U.S. DEPARTMENT OF AGRICULTURE**

Mr. GRANT. Thank you, Mr. Chairman. I do not have a prepared statement. This bill, S. 3699, would require the Secretary of Agriculture and the Director of the Bureau of the Budget to distinguish in its budget between those programs which are primarily for the benefit of the farmer or to stabilize farm income, and those which primarily benefit the consumer, businessmen, and the general public.

The Department is sympathetic to this problem and this bill. There are, however, many differences of opinion as to what programs benefit whom. Some of the programs that have been mentioned here this morning clearly benefit the public at large, and as a matter of fact, I think that all of our programs benefit the public at large to some degree, but there are some which are clearly directed toward stabilizing farm income. Even those have the effect of assuring adequate food supply for the American public and for meeting, in part, world needs, as a matter of fact.

Appropriations are now made to the Department on the basis of specific functions and operating agencies. Making these appropriations on the basis of these categories would identify those which are primarily for the benefit of the farmer and those which are primarily for the benefit of the public at large. However, they would still add to the same total. The fact that the appropriations are made to the Department of Agriculture and the expenditures are recorded in the name of the Department of Agriculture would still, I think, tend to result in this misunderstanding that prevails concerning the nature of our programs.

The Secretary has put great effort into trying to get across to the people, in his speeches and in statements we have issued, the facts about the benefits that go to the public at large, to consumers, to businessmen, and others through the programs of the Department of Agriculture.

I am not sure that any change in the classification would improve the situation, because many people look only at the totals for the Department of Agriculture. In this connection, the President's budget each year does carry, as a part of the budget message, a classification of his budget, both in terms of new obligational authority and expenditures. This classification includes "Agriculture and agricultural resources" as one primary category, and within one of the subcategories is "Farm income stabilization."

Then there are items, such as the Forest Service and the watershed protection and flood prevention programs which are classified under the category of "natural resources." The food stamp, school lunch, and special milk programs are classified in the budget under "Health, Labor and Welfare" rather than under "agriculture and agricultural

resources." The Public Law 480 programs, the food-for-peace programs, are classified under "International affairs and finance," rather than under "agriculture and agricultural resources."

Despite the fact that the budget carries this kind of classification, there is a tendency on the part of many to simply look at it and say, "Well, this adds to the total for the Department of Agriculture, and this, therefore, means the farmer."

I think I might sum up, Mr. Chairman, by saying that we are very sympathetic to this problem. We now have a classification in the budget—it is not exactly the same classification that has been introduced in the record here this morning. We have a table which we have used for a number of years in an effort to try to meet this problem in part.

Let me mention one other thing. The Senate Committee on Appropriations, in considering the 1962 agricultural appropriations bill, directed the Department, along with the Budget Bureau, to make a study and submit a recommendation. This study was made and a letter was sent to Senator Russell, the chairman of the subcommittee at that time, pointing out the problems that were found and indicating that we could not find any better basis that would be generally acceptable for classifying the Department's expenditures.

We came to the conclusion that a classification according to major purpose, rather than one which would try to identify beneficiaries, would be most practicable and feasible.

Senator HOLLAND. Mr. Grant, I can understand that some of these fields are difficult to place in one place or the other, or even to divide, and it may be necessary in the last analysis to divide their implications between the direct agricultural field and the public field—but, it seems to me that it is a possible thing to be done, and I think in fairness to agriculture the Department ought to take a new look at this.

For instance, there are so many of these activities that have no possible direct implications to agriculture. The food stamp program, you don't have to issue food stamps to farmers, do you?

Mr. GRANT. Not unless they qualify for assistance.

Senator HOLLAND. Are you conducting the food stamp program anywhere else except in urban centers?

Mr. GRANT. Yes, sir.

Senator HOLLAND. Where?

Mr. GRANT. The food stamp programs cover an entire county, and any person in that county could be eligible. Now it is true that the office that issues the stamps is in the city or town.

Senator HOLLAND. I have never heard of the food stamp program being entered into for the benefit of starving farmers.

Mr. GRANT. I agree with that.

Senator HOLLAND. And I think it would be a travesty to even suggest that that was a part of the purpose in setting up the food stamp program. It is a social welfare program directed at the poor in the great cities, and you have set them up in each instance in the cities.

Mr. GRANT. Yes, sir, in a number of cities.

Senator HOLLAND. Now when you come to the school lunch program, the farmers' children aren't the ones who primarily need the better food, are they?

Mr. GRANT. No, sir. I think that most of the school lunch program goes to the people in the cities and small towns, because this is where most of the people are.

Senator YOUNG. Would you yield?

Senator HOLLAND. It goes to children, and even if 100 percent of them should prove to be farm children, the Federal Government has as much interest in a sound nutritional program for one child as it does for another, regardless of where he comes from. It is a social welfare program, isn't it?

Mr. GRANT. Yes, sir.

Senator YOUNG. Would you yield, Mr. Chairman?

Senator HOLLAND. I will yield.

Senator YOUNG. Could you make a statement as to the percent of the children benefiting under the school lunch program, for example, who are farm children? It probably wouldn't be over 2 percent, would it?

Mr. GRANT. I really don't have any way of even guessing right now. I would think that it probably would be a small percent, when you consider the fact you used the term "farm children," rather than "rural children."

Senator YOUNG. Yes; farm children.

Mr. GRANT. And there is a big difference here. We don't have any information on this at all, but it would be a very small percentage, no doubt about it. It probably would at least be equal to the percentage that farmers make up of the total population.

Senator YOUNG. All the farmers only make up about 7 percent of the total population.

Mr. GRANT. That is right.

Senator HOLLAND. When you come to the special school milk program, the same comment, of course, can be made, and when you come to the various inspection programs, they are really designed, are they not, to protect the health of the people and to protect the interests of the buying and consuming public who buy the red meat or the poultry or whatever is covered by the inspection program?

Mr. GRANT. Yes, sir. It is primarily, I will say it is almost entirely for the protection of the public health.

Senator HOLLAND. It occurs to me that there are some of these programs which so clearly fall within the purview of their public importance, that would be the second class set up under this legislation, subsection 2 of section 1 of the bill, beginning at line 21 on page 2 of the printed bill.

Mr. GRANT. Yes, sir.

Senator HOLLAND. That there would be no difficulty whatever in classifying them. Now there may be some others of these activities which are proposed as coming under the consumer program where there might be more argument about it.

Mr. GRANT. Yes, sir.

Senator HOLLAND. But it seems to me that there is no insuperable obstacle to classifying any one of these programs. You might have to divide its coverage.

Mr. GRANT. There are a few appropriation items that are divided in this classification.

Senator HOLLAND. And it would seem to me that the Department has never made as serious an effort as we intended it to make when

we addressed our earlier inquiries. I know inquiries have been addressed and directions given before I ever became chairman of the Agricultural Subcommittee of Appropriations, but I think it was in 1962 that we supplemented them with an additional direction.

Mr. GRANT. Yes, sir.

Senator HOLLAND. And very little has come of it insofar as I have observed.

Mr. GRANT. Yes, sir. We did make the study and report I mentioned earlier.

Senator HOLLAND. And I think that this bill will tend to point up the fact that nothing has come of it that enables the perceptive public to carefully distinguish between these two classifications, and that something should come of it.

It might require a little work. It might require a little effort to accomplish that result, but I see no reason whatever, for instance, why the loans to REA and RTA and loans of the Farmers Home Administration for Production, which have a record of repayment almost 100 percent, those production loans, should be classified as expenditures when as a matter of fact they are only loans.

If you are going to do that, why aren't you classifying all of the much larger amount of loans made by the Farm Credit Administration as something that falls within the purview of help that the farmers get—in that case from the food resources—help that is chargeable to them?

I don't think that a farmer is chargeable properly with a loan which he repays, principal and interest, as something done out of public largess, any more than any other activity in the public domain should be charged directly with receiving a subsidy. Yet, that is resulting, the way this bill is being handled.

I noticed where even the President, in commenting on the agricultural appropriation bill, which we recently passed, was led into the error of saying that it required an expenditure of some \$300 million above what he had asked for, when the fact of the matter is that the spending part of the budget was well under what he had asked for, and he had to go to the loan features and include them as expenditures to get to any such conclusions. Now that is a pretty fair example of what happens when careful classification isn't made, when the President himself stumbles upon such an error.

I think that the Department should do more, and that when this committee and the Appropriations Committee and many others join in insisting that you do make more careful classification, and a more understandable classification which will lead to a better comprehension of this whole problem by the general public, that you ought to spend good deal more time and effort on it than you have up to now.

Mr. GRANT. Mr. Chairman, we can make any classification, and we have made many different ones, that anyone wants. As a matter of fact, this kind of classification would not require any additional work on our part. The information is readily available. We do make it available.

On your point about loans, this gets down to the question of whether the Federal budget is to be handled on a capital account basis rather than a disbursement or expenditure basis, and this gets beyond my area of responsibility. I am responsible for the budget within the Department of Agriculture, but not for the Government as a whole.

Senator HOLLAND. I know that, and I am not meaning to be severe, because you have been of great help to this committee and to the Appropriations Committee, and you have always been fair and honorable in your reply to everything. But, I am really finding fault with these paragraphs of the reply of Secretary Freeman, and I am going to read them at this time into the record:

Nearly all of the activities carried out by the Department of Agriculture have general public benefits.

Apparently he is afraid of the fact that if we make this breakdown between Agriculture and the public, that somebody will come to the conclusion that the benefits given to Agriculture don't also benefit the general public. I am not at all afraid of that, because I think that that will be understood. Continuing:

We have found that there is no objective way to clearly allocate these benefits between specific groups such as farmers, businessmen, and consumers. This is true because these benefits are spread so widely among all segments of the economy. The classification indicated in S. 3699 is on the basis of the primary beneficiary and does not fully reflect the benefits derived from the various activities.

The functional classification used in the President's budget, together with other ways of classifying the Department's programs and activities, was intensively considered by both the Department and the Bureau of the Budget several years ago. This action was in response to a request contained in the report of the Senate Committee on Appropriations on the 1962 Department of Agriculture and related agencies appropriation bill. At that time the possibility of classifying expenditures according to beneficiary was explored. It was concluded that in the interest of a clearer public understanding of the Department's programs, a classification according to major purposes would be more feasible and appropriate.

Well, that indicates that the Department does not support the approach included in this bill, but thinks that the much more general classification that you have spoken of a while ago is a more logical way to approach this subject. Is it too much for the Department to consider that the Congress which appropriates the money and which initiates the legislation should have some say in this matter?

Mr. GRANT. No, sir; not at all. As a matter of fact, we can classify these expenditures any way that the Congress chooses and wants them, and as a matter of fact, we have been doing this for a number of years.

This particular classification was made some years ago, and has been made available to anyone who requests it. But the appropriation bill has been in terms of agencies and functions, and this is determined by the Congress in terms of the format of the appropriation bill.

Senator HOLLAND. The final sentence in the meaningful part of the Secretary's letter is as follows, and I quote again:

Therefore, we do not believe the bill would solve the basic problem of obtaining a better public understanding of the widespread benefits from the activities conducted by this Department.

Mr. GRANT. Yes, sir.

Senator HOLLAND. In other words, the Department thinks that the way it has been approaching this problem through the years, especially since 1962, gives the public a better understanding of the problem than the method suggested by the bill; is that correct?

Mr. GRANT. Not necessarily a better understanding, but the fact that the word "agriculture" is synonymous in many people's minds with "farmer" is perhaps a more basic problem. Let's assume the

appropriation bill is reported by the committee on the basis of the classification provided for in this bill. It is still going to add to the same total, and it is going to be for the Department of Agriculture. This total for the Department is the thing that is usually picked up.

Senator HOLLAND. In other words, you think that the public is not discerning enough to follow the differentiation into two fields such as this bill suggests, and the fact that it would come under the general agricultural appropriation heading would still mislead the public, is that it?

Mr. GRANT. I wouldn't say it would mislead them. I don't think the public generally would identify the two classification.

The appropriation bill now is broken down into four titles: general activities, credit agencies, corporations, and related agencies. And yet, the general public tends to look only at the total rather than the individual titles. The credit programs, the Commodity Credit Corporation, the crop insurance program, and the food-for-peace items are now in a separate title.

Senator HOLLAND. The four titles given by Secretary Freeman's letter are these and I quote from it: "Agriculture and Agricultural Resources; Natural Resources; Labor and Welfare; and International Affairs and Finance."

Mr. GRANT. Those are the classifications in the budget. The appropriation bill uses a different classification, which is in terms of general activities; credit agencies, which includes REA and the Farmers Home Administration; and corporations.

Senator HOLLAND. Is there any way to get the Agriculture Department and the Budget Bureau to use the same classification in dealing with this single subject?

Mr. GRANT. We do use the same classification. The one that I am talking about now is one used by the Appropriations Committees in the appropriation bill, which is a different one.

Now you raised the question, Mr. Chairman, about—

Senator HOLLAND. In other words, there are three different kinds of classifications?

Mr. GRANT. Yes.

Senator HOLLAND. Is that what you are saying?

Mr. GRANT. Yes, sir.

Senator HOLLAND. The Department uses one, the Budget Bureau uses one, and the Congress uses a third. If that is the case, why we can easily understand why the general public can't come to any understanding of this situation.

Mr. GRANT. The general public tends to fix on the total.

Senator HOLLAND. Well, how else could they understand it if the three agencies, two agencies in the executive department, and the legislative department all use separate classifications? It seems to me that I see more and more merit in this bill which is suggesting that a single classification shall be used, and that it shall be only a double classification rather than a quadruple one, as apparently has prevailed heretofore—a different quadruple one. Different quadruple ones have prevailed, haven't they?

Mr. GRANT. Yes, sir.

Senator HOLLAND. The Agriculture Department uses one, the Budget Bureau uses one, the appropriations bill uses a third. Is that what you are saying?

Mr. GRANT. The Department of Agriculture's classification and the Budget Bureau's classification are the same, unless you consider that the table which has been inserted in the record, and which we have prepared for a number of years, is our classification. We have been using it because we think it tended to portray some of the benefits which other segments of the economy get from Department of Agriculture expenditures.

We recognize that there are some deficiencies in it. As a matter of fact, some of the classifications are somewhat arbitrary, and this would be true of any classification we might make.

I don't believe, based on what I have seen and heard over a good many years now, that a different way of classifying expenditures will bring the situation into focus in the minds of the public. We have tried with this classification to overcome the problem, but without success.

Senator MONDALE. May I ask a question?

Senator HOLLAND. Senator Mondale.

Senator MONDALE. I think what we are up against here is that opponents of farm programs annually try to influence the minds of the American public against these farm programs. If they would deal on the basis of your budget as you send it up, and deal responsibly with these fine breakdowns which you find as you reach down into these complicated tables, and that was the level at which the debate was conducted, I think we probably wouldn't need this. But the truth of it is that every year this budget comes along. It is now \$7.2 billion approximately, and that is the one figure that they "home in" on and they say \$7 billion to farmers, and \$7 billion to farmers. That ritual occurs every year, until finally back home, even in Minnesota, which is a State with tremendous dependence upon a strong agricultural economy, I hear my city friends telling me "Let's see, \$7 billion into 3.5 million farmers, that is around \$2,000 welfare check every year. No wonder they are all driving Cadillacs."

Of course, they are not driving Cadillacs and they are not getting \$2,000. In other words, we need a clear instrument of public education, institutionalized in the budgetmaking process, to help meet this propaganda weapon that we hand to the enemies of these farm programs every year by the present budget system.

Your tables provide an answer, but that answer doesn't get across. It is too complicated.

Senator HOLLAND. Senator Young, do you have any questions of Mr. Grant?

Senator YOUNG. Yes. Are you circumscribed in any way by the Bureau of the Budget as to how you can set up your own budget? Do you have to follow directives from them? Maybe it is hard for you to answer that.

Mr. GRANT. Senator Young, I guess I would have to answer that question "Yes." The President, in submitting his budget, has the right to make recommendations in any way that he sees fit.

We work very closely with the Bureau of the Budget. We have not made a proposal that the Department of Agriculture's budget be presented in terms of categories such as these.

Now we do make proposed changes from time to time which the Congress accepts or rejects. But the funds are appropriated, for example, to the Agricultural Research Service for research and for plant

and animal disease and pest control—by that kind of an itemization. It is really on a functional agency basis. Our agencies are to a large extent on a functional basis.

Senator YOUNG. But the Bureau of the Budget seems to figure everything on an expenditure basis, whether it be a loan or a grant. In the foreign aid program, they clearly distinguish between grants and loans. But the Department of Agriculture budget doesn't seem to.

Mr. GRANT. This is a little different point. This is the matter that was alluded to by the chairman a moment ago.

Under the system used in the Federal Government reporting is on the basis of next expenditures from the Treasury. The Federal Government does not use a capital budget concept.

A capital budget has been proposed and discussed by various people for many years. But the reporting continues on the basis of net expenditures from the Treasury.

The Farm Credit Administration, mentioned a moment ago here, does not reflect large expenditures because most of its money does not come from the Treasury. It comes from the private money markets.

Senator HOLLAND. All of their money, other than that that goes by way of investment in intermediate credit banks, comes from the private market, but it is loaned and it is repaid.

Mr. GRANT. Yes.

Senator HOLLAND. Just like the loans from Farmers Home Administration happen to be made by the Government and are repaid.

Mr. GRANT. But the Federal budget is on the basis of expenditures from the Treasury, and this is the thing that is causing the difficulty with the point that you are making. If we make grants, and we have a small program for rural water and waste disposal grants, for example, we classify that as a "grant." Grants to the State experiment stations are classified as "grants." In the case of a loan, even though it is repayable—under the present system of Federal budgeting throughout the Government—it is treated as an expenditure from the Treasury, just as the grants are.

Some of the receipts which come in go directly into the Treasury. Other receipts from our programs come to the Department for credit to our accounts. In such cases we can report our expenditures on a net basis. Those which go directly back into the Federal Treasury, such as repayments of REA loans, are not credited against our expenditures. Farmers Home Administration receipts for the most part come back into the Farmers Home Administration account called the direct loan account.

Senator YOUNG. I would think there is a vast difference between a diversion payment or a soil bank payment to a farmer, and a loan to a farmer.

Mr. GRANT. Yes, there is, in terms of the longtime effect to the Government. There is all the difference in the world. Diversion payments are unrecoverable disbursements from the Treasury. Loans are repayable over a period of time.

But in terms of any one fiscal year, they both have the same effect. This may not be right, but it is the concept used throughout the Federal Government, and has been in effect ever since the Government was established.

There are some States that use the capital, or investment type budget; many States do, but the Federal Government does not.

Senator HOLLAND. The whole purpose of this legislation, if I understand it, is to bring about a method of handling of the Federal operation in the field of agriculture in such a way that it will be clear what is spent to help farmers directly and what is spent in promotion of the general interest. I don't think that is too great a task to understand that.

Mr. GRANT. It is not.

Senator HOLLAND. And I hope that you will find it possible to undertake it, and certainly if legislation is passed, I am sure that the President, the Bureau of the Budget, and the Department of Agriculture can get their heads together and follow the law rather than have three separate methods of dealing with this matter.

Senator McGovern, I understand you wish to make a statement.

### STATEMENT OF HON. GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MCGOVERN. Mr. Chairman, I have a prepared statement I would like to submit for the record. As a cosponsor of the bill, I am very strongly behind it, and I hope the committee will act favorably on it.

I do think there is a widespread notion in the country that farmers are subsidized at the expense of the public. It is really just the other way around. If farm prices had been at parity last year, the consumers would have paid out about \$5.6 billion more than they did for their food. So to that extent, the farmers are subsidizing the general public.

Farmers receive about \$2.6 billion in various Government programs of direct benefit to them. Those programs are designed to insure the Nation a stable food supply with fair remuneration to our producers. When you think about the problems that other countries are up against in securing adequate quantities of food at stable prices, I think even our price support program is of enormous benefit to the consumer.

This bill will help underscore those facts, and I hope the committee will approve it.

(Senator McGovern's prepared statement is as follows:)

Chairman Holland and members of the Subcommittee, I very much appreciate the opportunity to express my thoughts to you as a cosponsor and firm advocate of S. 3699, the Fair Farm Budget Act of 1966.

The great need for this legislation is reflected in the fact that the American people generally do not make the kind of careful analysis of the Department of Agriculture budget that is needed to realize that nearly two-thirds of it is spent on programs and projects that benefit the public at large. All too often they read the headlines and press accounts referring to a "\$7 billion appropriation for agriculture," and conclude that it is all being spoon fed to the Nation's farmers.

This is by no means a harmless misconception. On the contrary, it carries grave implications for future American farm policies, and stands as a serious threat to efforts to achieve the parity goal in agriculture.

We are all well aware of the hostile response that came from consumers to the increases in retail food prices, particularly for bread and milk, that followed this summer's modest farm price rises. The bulk of those increases went to someone other than the producer. But at first glance he received almost universal blame, and there were calls for reductions in farm returns.

Although they may not have been as sharp and as quick, there is little doubt in my mind that we would have had the same kind of a response to increases in income support payments. At a time when we are seeking to hold the line on Federal spending in order to combat inflation, taxpayers would certainly have ex-

pressed indignation at any substantial additions to the Department of Agriculture budget.

The truth of the matter is that government payments to farmers at today's levels amount to only a small consideration when compared to the huge subsidy farmers are returning to consumers. Based on 1965 figures, the farm value of the food consumed in this country would have been at least \$5.6 billion more than it was if farmers had been receiving full parity. That figure, it seems to me, can be considered as the approximate measure of the farmer's subsidy to the American people, and only a very small share of it is repaid through the \$2.6 billion in the USDA budget that goes for farm income support.

A much broader understanding of these facts than we have today will, in my view, prove to be a prerequisite to a quickened pace toward the parity goal. The Fair Farm Budget Act, by causing an accurate accounting to be made as a matter of course, will remove a serious obstacle to that understanding. It is a measure of great practical importance to the Nation's farmers, and I urge that it receive early and favorable action.

Senator HOLLAND. Thank you, Senator McGovern. Senator Young?

Senator YOUNG. No questions, thank you.

Senator HOLLAND. Senator Mondale? No questions?

Mr. Christianson, Vice President of the National Farmers Union.

Senator MONDALE. Mr. Chairman, I would like personally to introduce Mr. Christianson, because he is from my State and he is a close, warm friend of mine.

I think he is one of the outstanding agricultural statesmen in the country today. He not only is the State president of our Farmers Union, but has recently been elected to the vice-presidency of the National Farmers Union. We in Minnesota like to have vice presidents of various organizations, in government, and so on. We always pick our best in those jobs and, in Ed Christianson, I am sure we have chosen wisely and I know we will all learn from his effective testimony.

Senator HOLLAND. Thank you, Senator. We are glad to have you, Mr. Christianson. I have a letter from Mr. Reuben L. Johnson, director of legislative services for the National Farmers Union, which he asks be incorporated in the record following your statement. This will follow Mr. Christianson's statement.

Proceed.

#### STATEMENT OF EDWIN CHRISTIANSON, VICE PRESIDENT, NATIONAL FARMERS UNION, ST. PAUL, MINN.

Mr. CHRISTIANSON. Mr. Chairman and members of the committee, the bill, S. 3699, the fair farm budget bill, recently introduced by Senator Walter Mondale, is a long overdue move to improve both governmental bookkeeping and public understanding.

Because of the low-income plight of farmers, and the efforts of the Department of Agriculture to improve the situation, a general assumption has been that most of the activity and spending of the Department is directed toward the farmers of the Nation. Actually, almost the opposite is true. With an ever greater percentage of the population as consumers and a diminishing percent as farmers, with consumers demanding more and more in the way of regulation and inspection, a great deal of the Department's time and money is involved in conservation, consumer activities, and world trade in food and fiber.

Senator MONDALE. Would you yield there? As a matter of fact, in just 1 year we have seen that proportion of the Department's

budget that can be fairly attributable to farm income drop from 1965, from a percentage of 36 percent of the total agricultural budget, until this year, a year later, it is only 28 percent, and I think that dramatically underscores the transformation occurring within the general framework of the moneys appropriated to the Department of Agriculture.

Mr. CHRISTIANSON. That is very, very true. Without, in anyway changing the activities or direction of the Department, Senator Mondale's bill would distinguish how the budget of the Department of Agriculture is allocated.

It is not long ago that someone taking a shortcut with the facts, said that since the USDA budget is \$7 billion and there are 3½ million farmers in the Nation, each farmer is being subsidized on the average to the extent of \$2,000 a year.

Someone else has divided the number of farmers by the total of USDA employees and declared that we now have 1 employee in the Department of Agriculture for every 40 operating farmers.

I do not know of any two better arguments than the two above for the adoption of Senator Mondale's proposed fair farm budget bill, which is cosponsored by many distinguished members of the Senate.

I think it would be fair to call this a truth-in-spending bill—and I say this without seeking to reflect upon anyone in the Congress or in the Department of Agriculture.

Certainly, the Department of Agriculture under Secretary Orville L. Freeman has made great efforts to put the program requests and expenditures into understandable terms and relationships.

In the Congress, the Appropriations Committee reports have attempted to set the record straight. In the Senate, we know, many of you here on the Agriculture Committee have worked for a better public understanding of agriculture and the needs for agricultural and related programs.

Yet, despite the efforts which have been made by you in the Congress and by those in the Department, there is still a lack of comprehension on the part of the general public as to what items of expenditure the USDA budget covers.

We believe that the approval of the fair farm budget bill would be an important step toward getting things into their proper perspective.

In our opinion, two things would result from requiring that there be a budget-making distinction between programs and activities to stabilize farm income and the other programs which primarily benefit consumers, businessmen, and the general public.

First, the public would be informed of the broad range of USDA programs, which range from foreign aid, to meat inspection, to conservation investments, to forestry, to national parks, to famine relief, public nutrition, and many others.

Second, the identification of programs primarily to augment and stabilize farm income would be seen as moderate in size and their justification might be better understood.

In other words, it would be shown that farmer programs get less than half of the USDA expenditures and that what they do get is beneficial, too, to the national economy and is translated immediately into buying power for the goods and services of business and industry.

The national investment to sustain programs for the independent family farmers and programs that assure adequate supplies of food

and raw materials for industry and consumers has proved to be a paying proposition for all concerned and for the well-being of the Nation.

It was just last year that a very significant staff study was issued by the Senate Agriculture Committee showing that each dollar invested in the farm stabilization program, was stimulating the national economy to the extent of several dollars.

One other observation occurs to us on the value of adopting this bill. With much concern being exhibited about domestic spending programs of the Federal Government, we believe the Mondale bill would be beneficial in showing that there is no nonessential Federal spending taking place in the USDA budget. In fact, we may very well be underspending on our investment in some categories if we hope to gear agriculture up to meeting the domestic and world demands for our products in the next several years.

We recommend favorable action by the committee so that the bill can be adopted in this session so that a more meaningful budgeting and reporting can take place in the 1968 budget requests which will be submitted early next year. We feel that this would be a real service to agriculture and to the Nation.

We want to express our thanks to you, Mr. Chairman, and to the committee for the privilege of presenting our statement to you this morning.

Senator HOLLAND. We are very glad to have you. Any questions?

Senator MONDALE. Mr. Christianson, you have spent a good part of your adult life championing adequate programs for a good farm income, and I know as a fact that you have talked before, not only to virtually every rural group in our State, but you have spent a good deal of time trying to explain these farm programs and the relationship of the family farmer to urban America.

Do you regard this confusion that we have respecting the application of the \$7 billion annually appropriated in the name of the Department of Agriculture to be a major problem in trying to explain these programs to the American public?

Mr. CHRISTIANSON. Yes, I do, and I have had the occasion to visit before many of the civic groups in some of our rural communities. It is true, as was stated here earlier today, that the \$7 billion figure is the one that is always predominant in their minds, and always the questions that we get following one of these civic meetings is what do you do with the \$7 billion in agriculture.

Senator MONDALE. I recall the first question I was asked on meeting the press, when I came down here as a Senator, the first question was, "In light of the fact that the American farmers are getting \$7 billion a year, when will the American public tire of subsidizing the American farmer?"

This underscores this fact that we hand to our enemies a powerful tool of opposition, a powerful tool for confusion, when we simply send up an agriculture budget and say it is \$7 billion.

Senator HOLLAND. Thank you, Mr. Christianson.

(The letter from Reuben L. Johnson of the National Farmers Union, referred to, follows:)

WASHINGTON, D.C., October 7, 1966.

HON. SPESSARD L. HOLLAND,  
*Chairman, Subcommittee No. 3, Senate Agriculture and Forestry Committee,  
 Washington, D.C.*

DEAR SENATOR HOLLAND: Mr. Edwin H. Christianson, Vice President of the National Farmers Union and President of the Minnesota Farmers Union, will present the testimony of Farmers Union on Senator Mondale's bill concerning the Budget of the Department of Agriculture, S. 3699.

I would appreciate very much if you would insert this memorandum in the Record following his remarks on the bill.

I understand that Senator Hart's bill (co-sponsored by Senator Proxmire) S. 3420, is also up before your Subcommittee at the same time. Therefore, I want the record to show that National Farmers Union very strongly supports this bill.

We understand the Department of Agriculture has given their support of this bill.

The economic plight of cherry producers is clearly established over the past several years. Also clearly established is the fact that processors of cherries have shown conclusively that they will not support a marketing order on cherries.

We respectfully urge the Subcommittee to act promptly on this bill and to get it before the Senate before adjournment. Parenthetically, we would point out that this same bill is under consideration by the House Agriculture Committee.

Sincerely,

REUBEN L. JOHNSON,  
*Director of Legislative Services,  
 National Farmers Union.*

Senator HOLLAND. The next witness is Mr. Roy F. Hendrickson, executive secretary of the National Federation of Grain Cooperatives. Mr. Hendrickson, we will be glad to hear you.

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

Mr. HENDRICKSON. Thank you, Mr. Chairman. I am Roy F. Hendrickson, executive secretary, National Federation of Grain Cooperatives.

I am appearing in support of S. 3699, introduced by Senator Mondale for himself and for a large number of other Senators, to require the Secretary of Agriculture and the Director of the Bureau of the Budget to make a separate accounting of funds requested by the Department for programs and activities that primarily stabilize farm income and those that primarily benefit consumers, businessmen, and the general public.

I have a brief prepared statement, and, Mr. Chairman, if you please, I would just as soon put that into the record and save you some time.

Senator HOLLAND. Without objection.

(The prepared statement of Mr. Hendrickson follows:)

Mr. Chairman, I am Roy F. Hendrickson, Executive Secretary, National Federation of Grain Cooperatives.

I am appearing in support of S. 3699, introduced by Senator Mondale for himself and for a large number of other Senators, to require the Secretary of Agriculture and the Director of the Bureau of the Budget to make a separate accounting of funds requested by the Department for programs and activities that primarily stabilize farm income and those that primarily benefit consumers, businessmen, and the general public.

Senator Mondale, in introducing the bill on August 8, placed in the *Congressional Record* an analysis of budget expenditures for fiscal year 1965 and estimates for 1966 and 1967, which was illuminating.

It indicates that out of the total of \$7 billion included in the estimated expenditures for 1966, the budget included very substantial amounts that were not primarily concerned with the economic welfare of American farmers. He esti-

mated that 36 percent of the 1965 budget expenditures by the Department of Agriculture were primarily for maintenance of farm income.

The bill has a great deal of merit and will assist in destroying some of the myths which have crept into the public consciousness which assumes that any and all expenditures by the Department of Agriculture are part of a program designed primarily to assist American farmers.

It is true that substantial sums have been appropriated for the purpose of stabilizing farm income, but for many years such expenditures have been far smaller than the large amounts which serve the general public welfare.

The school lunch program, the food stamp plan, the special milk program, REA loans, activities in the field of forestry—all of these serve an important and useful purpose, but it has been simply unfair to permit the creation of a public belief that these expenditures are primarily designed to enlarge and improve the income of American farmers.

The American farmer has long suffered many disadvantages in the field of public misunderstanding and poor public relations growing in large part out of programs designed to assist and improve his limited bargaining power.

The appropriations for the Department of Agriculture made by Congress have, in the absence of an explanation by those who are truly familiar with the facts, been cited in a way that has been disadvantageous to American farmers.

It seems to me that this bill, if enacted, would make a major contribution toward assisting public understanding and facilitating public education in a manner which would be in accord with the best traditions of good government.

Mr. HENDRICKSON. I would like, however, to make two or three comments.

Senator HOLLAND. We will be very glad to hear them.

Mr. HENDRICKSON. No. 1, I wanted to bring out what I consider a perfect example of the misunderstanding that the present system leads to, and results in. I have here with me a copy of Harper's magazine for the month of July 1966. In the section, an outstanding section here for many years edited by a friend of mine called "The Editor's Easy Chair," by John Fischer, the editor, he editorializes under the heading "A Possible Practical Utopia."

Now I know Mr. Fischer well and I am very fond of him. He worked at one time in the Department of Agriculture when I was there. Therefore he should know better, and I am sure he does know better. But in this particular discussion he is being typically provocative and somewhat caustic with respect to programs in the Department and he makes this erroneous statement in column 3.

The basic scheme—

He says, referring to the program designed to give some stability and price support to basic commodities—

and the basic program with frequent patches and tinkering has remained in effect to this day. It now costs nearly \$7 billion a year, or roughly \$35 for every man, woman, and child in the country.

Now here is a reputable publication edited by a man who is certainly of a relatively high IQ, and he perpetuates this myth. So it is high time it seems to me that steps be taken. I have felt for a long while that there was an urgent need for giving the public a better explanation of USDA appropriations. This feeling goes back to my own experience in the Department for a good many years.

I came here feeling that Senator Mondale, and those associated with him, had taken an important step. I must say that since I came to this hearing, I have been convinced of the urgency of the need. I have been convinced by the testimony from the representative of the Department of Agriculture. He seems to me to be very blase, very bland about this whole matter which has concerned the information

division and other people trying to tell the story of the Department's services to the general public for years and years. I wish the Budget people and the information people would get introduced to each other over there so they might share this concern and get something done about it.

Senator MONDALE. Would you yield at this point, Roy?

Mr. HENDRICKSON. Yes, I will.

Senator MONDALE. I think that Harper's article is just a wonderful example of what we are up against when they bandy this \$7 billion figure around. I would like to give another example.

In an editorial appearing in the Washington Evening Star of July 18, 1966, during the perennial agriculture budget debate, this appeared:

Back in 1940, when 25 percent of the population lived on the farm, the Federal outlay for agriculture was \$1.4 billion. Now less than 8 percent of the population lives on the farms and we are spending \$7 billion on them. No group was ever treated with more solicitude.

I think that is a good example of what we are fighting against as long as this budget comes up in its present form.

I am glad that you inserted this statement. I think what makes it so impressive is that John Fischer is regarded as one of the great commentators on American life today. He is a brilliant, able, balanced person—but that is what he gleans from our perennial debates.

Senator HOLLAND. Well, if editorialists like those of Harper's magazine and the Evening Star don't understand the facts of life with reference to the Department of Agriculture, how can we expect the general public to understand them?

Mr. HENDRICKSON. This is exactly the point, Mr. Chairman, which gave me so much concern with respect to this. This is not a personal attack on Mr. Grant, you understand.

Senator HOLLAND. Mr. Grant is one of the best public servants we have got in Washington.

Mr. HENDRICKSON. Yes, certainly.

Senator HOLLAND. I wish we had a whole lot more like him.

Mr. HENDRICKSON. Certainly I was bothered by the relative blandness with which he viewed this whole urgent problem, and I think it is an urgent problem in public relations for American agriculture which doesn't have any big staff of public relations people I assure you. In fact, none at all except for the representation in the U.S. Congress which is willing and able to speak up from time to time.

Well, this is about all I wanted to say. I appreciate the opportunity to appear here. Let me add just one more point. That is that I think it is extremely urgent that something be done about this. I must add that I am disappointed in the Department of Agriculture in not seeing the tremendous urgency of something being done on this matter. Secretary Freeman has certainly tried to get the facts to the public. He needs help. Thank you.

Senator MONDALE. Roy, I am very appreciative of you, because your organization and your leadership in the National Federation of Grain Co-ops is something that is very personal to us in Minnesota and in the upper Midwest, and your background and experience in this whole farm problem, and particularly the one of trying to explain to the American public what is going on, makes your testimony and

your sense of urgency so clearly expressed here a very helpful addition to today's testimony.

Senator HOLLAND. Senator Young.

Senator YOUNG. I listened to Roy many times and he has always been very helpful. He explains things in a way that no one else can. (Off the record.)

Senator YOUNG. Mr. Chairman, let me vent a feeling, an idea that I have had for a long while. I have always thought that general farm organizations and the commodity groups representing farmers could do a tremendous service for the farmers by sponsoring some commentator, a good news commentator, and just add about a half a minute or a minute to help correct opinions such as this. Almost every other organization sponsors commentators. If the farm organizations could join together and do this, it wouldn't cost them very much, and they could do a tremendous job of correcting wrong impressions which the consumers of America have.

Senator MONDALE. Roy, there is one other reason why we need immediate action on this bill. That, as Senator Aiken pointed out the other day, there is a rumor that the moon is made of green cheese, and if it is, the space program is going to be charged to the farmer. We want to get this passed.

Mr. HENDRICKSON. They might very well do that, Senator.

Incidentally, I believe that, if we acted on Senator Young's suggestion, we ought to have you on as the first speaker. You make an excellent case for your bill.

Senator HOLLAND. Mr. Patrick B. Healy, assistant secretary of the National Milk Producers Federation. Mr. Healy, we will be glad to hear from you.

#### STATEMENT OF PATRICK B. HEALY, ASSISTANT SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. HEALY. Mr. Chairman, my name is Patrick B. Healy. I am the assistant secretary of the National Milk Producers Federation. My offices are at 30 F Street in Washington, D.C. I have a very short statement which I would like to file for the record in the interests of time.

Senator HOLLAND. Without objection.

(The prepared statement of Mr. Healy follows:)

The National Milk Producers Federation is a national farm commodity organization. It represents dairy farmers and their cooperative marketing associations. Through these associations, farmers acting together process and market on a cost basis the milk and butterfat produced on their farms. They process and market virtually every form of dairy product made in the United States.

Dairy cooperatives, in marketing milk of their members, supply the major portion of raw milk used by the dairy processing plants throughout the United States.

The National Milk Producers Federation supports S. 3699.

Legislation of this type is needed to dispel the erroneous conclusion of many groups and citizens that farmers are the sole beneficiaries of Federal expenditures for agricultural programs administered by the United States Department of Agriculture. The notion also should be dispelled that excessive funds are being used to support the farm economy for the benefit of the American farmer.

The Congress of the United States has made commendable efforts to achieve and maintain a prosperous and balanced economy in the interest of our whole population. A great deal of this legislation has resulted in an improved agriculture, including dairying.

Any analysis of agricultural programs, however, leads to the conclusion that the general public has shared in the benefits of agricultural legislation. In many instances, consumers or other non-farm people have been the greatest benefactors.

Most agricultural programs result in orderly and stable markets, increased quality of farm products, greater efficiency in agricultural production and marketing, or increased productivity on the farm.

The benefits have accrued to consumers in the form of abundance, high quality and low costs for food and fiber. American consumers, as a result, are better fed than in any other nation of the world, and for a lower share of their disposable income.

Increased productivity in agriculture has benefited consumers to a much greater degree than farmers.

The listing of programs for separate accounting of funds, as contained in S. 3699, properly recognizes those which are of primary benefit to persons other than farmers; and, separately, those which are of greatest benefit to farmers. We would like it known that we have a keen interest in most of the programs listed primarily as for the benefit of consumers, businessmen, and the general public, and that these programs also benefit agriculture.

We suggest, however, and are confident the Committee will agree, that many of the programs designated as primarily to augment and stabilize farm income also accrue to the benefit of the whole population.

While we support the intent of S. 3699 to account for funds on the two separate bases, farmers should be assured that these programs will remain under the jurisdiction of the Department of Agriculture, because of its intimate knowledge and understanding of problems associated with production and marketing of farm products.

Mr. Chairman, we appreciate this opportunity to appear before your subcommittee.

Mr. HEALY. And merely say that for the dairy farmers of this country, we support without equivocation the bill which is before the committee. We do so for all of the very many, very fine reasons which have been advanced heretofore today.

Senator HOLLAND. Thank you, Mr. Healy. Any other comments you would like to make, sir?

Mr. HEALY. No.

Senator HOLLAND. Senator Young.

Senator YOUNG. No, thank you.

Senator HOLLAND. Senator Mondale.

Senator MONDALE. May I just say, Mr. Healy, we in Minnesota being a great dairy State, and a State which has cooperated closely, and most of our organizations are affiliated with the milk producers, are grateful to you and to your organization for supporting this measure, and it will add important new strength to our cause.

Mr. HEALY. I think, Senator, beyond the dairy farmers of Minnesota, which are a very great part of the milk producers of the country, all the dairy farmers are very grateful to you and your colleagues who join with you in this bill, in calling this very important matter to the attention of the Congress and the administration and the general public.

Senator HOLLAND. Thank you, Mr. Healy.

Mr. Harvey Sickels, secretary of the National Farmers Organization. Mr. Sickels.

#### STATEMENT OF HARVEY SICKELS, SECRETARY, NATIONAL FARMERS ORGANIZATION, CORNING, IOWA

Mr. SICKELS. Mr. Chairman and members of the committee: My name is Harvey Sickels and I am the Secretary of the National Farmers Organization.

It is a pleasure to appear before you today in support of S. 3699, introduced by the Junior Senator from Minnesota with a distinguished list of co-signers.

This bill, the Fair Farm Budget Act, requires the Secretary of Agriculture and the Director of the Bureau of the Budget to make a separate accounting of funds requested for the USDA for programs and activities that primarily stabilize farm income from those that primarily benefit consumers, businessmen and the general public.

During the last year especially, the farmer has been subjected to numerous attacks in the mass media, and even to some extent by some distinguished Members of the Congress, as being the culprit creating an inflationary spiral by demanding unfair prices in the marketplace while accepting a \$7 billion dole from the Government. Nothing could be farther from the truth.

We have tried to shed some light on the accusations concerning increased food prices through our testimonies before this committee and your counterpart in the House of Representatives. We vigorously supported, with other farm organizations, Senator McGovern's resolution to prevent action by any Government agency to influence prices downward on any commodity before it reached a parity level. We hope that these activities have helped in some small way to assure the American consumer that he is still the recipient of the best quality food of the greatest possible variety at the lowest percentage of his earnings in the world. The American consumer spends only about 18 percent of his takehome pay on food as compared with 50 percent in Russia, for instance.

Of the \$7 billion USDA budget expenditure in 1965, only about 36 percent, or \$2.7 billion, was spent on the farm price support mechanism. The remainder of this amount was spent on such things as nutrition and consumer research, meat and poultry inspection, the special milk program for children, and maintaining the largest fire department in the world within the U.S. Forest Service—all geared primarily toward the benefit of "John Q. Public."

"John Q. Public," in the long run, also reaps the benefit of the \$2.7 billion spent to support farm income by way of reduced food prices, a consistent supply of a multiple variety of food, and increased exports helping to reverse our unfavorable balance of payments. Our agricultural exports are the greatest earner of dollars abroad, accounting for fully a fourth of total U.S. exports.

Therefore, with some justification, one could say that the \$2.7 billion spent on stabilizing farm income in 1965 was as much a consumer subsidy as a producer subsidy.

The farm programs, at this time, are necessary for the protection of the total economy and do not bear undue burden, in our judgment, on the taxpayer in relation to their benefits to the general public.

We respectfully urge this distinguished subcommittee to give S. 3699 your prompt and favorable action to exonerate the American farmer and enlighten the American consumer concerning the expenditures of the USDA.

Senator HOLLAND. Thank you, Mr. Sickels. Senator Young?

Senator YOUNG. No, thank you. That was a good statement.

Senator HOLLAND. Senator Mondale?

Senator MONDALE. Harvey, as I recall it, your State convention this past week in Minnesota, there was a resolution there passed unanimously endorsing S. 3699; is that correct?

Mr. SICKELS. Senator, as I remember, you were at the State convention.

Senator MONDALE. That is right.

Mr. SICKELS. And I wasn't.

Senator MONDALE. I said something about this.

Mr. SICKELS. I am sure that if you recollect this, it must have happened.

Senator MONDALE. You are more careful than is necessary.

On your point about the relationship between farm prices and what the consumer pays for consumer goods, I think it is well taken. As a matter of fact, as a percent of the average of the average American's take-home pay, I believe I am correct in saying in the last 4 years it has dropped from 22 percent of his average take-home pay to 18 percent.

Mr. SICKELS. That is right.

Senator MONDALE. So that if you are looking at the import of the total foreign economy, of which these Federal farm programs are clearly a part, the net impact is to see a downward trend in the cost of food as a percentage of take-home pay of the American consumer, and I am glad that you highlighted that point in your testimony.

Mr. SICKELS. There is one thing that I would like to ask that has been brought out recently by Senator McGovern, which is the fact that the farm value that is paid by the consumer is down to five-point-something percent, and if the farmers were to receive 100 percent of parity the farm value that would be received would be 6.5 percent, which is a, pretty small part of the consumer dollar.

Senator HOLLAND. Thank you, Mr. Sickels.

Mr. SICKELS. Thank you, sir.

Senator HOLLAND. I have received a letter from Mr. John C. Lynn, legislative director of the American Farm Bureau Federation, which he wishes to have inserted in the hearing record. Without objection, I will insert it.

(The letter is as follows:)

WASHINGTON, D.C.

HON. SPESSARD L. HOLLAND,  
Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization  
of Prices, Senate Committee on Agriculture and Forestry, Senate Office Building,  
Washington, D.C.

DEAR SENATOR HOLLAND: We would appreciate it very much if you would place this letter in the record as an expression of the views of the American Farm Bureau Federation on S. 3699.

As we understand the purpose of S. 3699, the Secretary of Agriculture and the Director of the Bureau of the Budget would be required to make a separate accounting of funds requested for the Department of Agriculture for programs and activities that primarily stabilize farm income and those that primarily benefit consumers, businessmen, and the general public, and for other purposes.

In our statement to the Agricultural Subcommittees of the House and Senate Committees on Appropriations this year, we said in the concluding paragraph:

"Each year we find the USDA budget requests more difficult to understand. This makes it virtually impossible for a farm organization such as ours to evaluate all of the programs and dollar amounts for the various agencies. A number of the proposals recommended in the USDA budget are unsound and will prove injurious to agriculture. We would hope that the report of this committee would reflect concern with regard to the increased complications involved in the budget of the USDA and the seeming shift of interest from farmers and ranchers and their problems to a consumer oriented department."

In Farm Bureau Policies for 1966 under the heading "Government Spending" the following paragraph appears:

"United States Department of Agriculture programs and expenditures in such areas as P. L. 480 (Food for Peace), food stamps, and school lunches, which are primarily for the benefit of non-farm people, should be transferred to other agencies of government."

These two statements illustrate our concern and the need for a revision and clarification of the budget request for the Department of Agriculture

With respect to the separation of the budget figures as between Sections (b) (1) and (2) as outlined in S. 3699, we believe that a detailed study of the various programs of the Department is needed before such a separation can be made.

It might be useful to include a third category, such as relief and welfare, because today a large part of the Federal budget is being devoted to this category. Also, we believe that some separation must be made in the Department's funds expended for so-called "foreign assistance," such as P. L. 480, etc., to show that portion which is clearly price support or assistance to farmers. The expenditures for the International Wheat Agreement are subsidies for farmers, and are no different from CCC expenditures for wheat export subsidies on wheat exported outside the International Wheat Agreement. In fact, the Appropriations Committees this year eliminated the separate appropriation for the International Wheat Agreement.

The Agricultural Act of 1965 provides compensatory payments to producers of cotton, wheat and feed grains at very high levels. Even though farmers are receiving very high payments at the present time, a question could be raised as to the real benefactors of such payments. For example, it can be argued that the domestic textile industry is the principal benefactor of the current direct payment program for cotton. There are a number of other programs of the Department which need examination before a determination can be made as to the major beneficiaries.

We would hope that this Committee would make a detailed study of these programs so that a meaningful determination can be made.

Sincerely yours,

JOHN C. LYNN,  
*Legislative Director,*  
*American Farm Bureau Federation.*

Senator HOLLAND. Are there other insertions? If not, the hearing will be closed and the record will be kept open until Thursday, so that cosponsors or other Senators, or House Members who are interested may submit statements, and so that the general public, if they have statements to submit, may do so. It will go to the printers Thursday.

Thank you.

(Whereupon, at 11:35 a.m., the subcommittee adjourned.)

(Additional statement filed for the record is as follows:)

WASHINGTON, D.C., October 12, 1966.

HON. SPESSARD L. HOLLAND,  
*Chairman, Subcommittee on Production, Marketing, and Stabilization of Prices,*  
*Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.*

DEAR SENATOR HOLLAND: We wish to express our support of S. 3699, the Mondale bill to require separate budgetary accounting of U.S. Department of Agriculture funds into specific categories of those spent to stabilize or raise farm income and those spent for the benefit of consumers, businessmen and the general public.

The recent charges made by many who lack an understanding of our agricultural economy are only the latest evidence of widespread ignorance of the tremendous public benefits which are derived from agricultural progress and in many cases from programs which directly benefit non-farmers.

For many years critics have labeled the total USDA budget as a "subsidy" to farmers. This misconception should be corrected, and S. 3699 should be an effective tool to help in this long-overdue campaign to educate the public about food and farmers.

Programs of research, inspection and many special activities such as school lunch programs are of obvious benefit to the consuming public. In addition,

that third of the USDA budget which represents farm income support often provides substantial public benefits which are not widely recognized. This point also needs to be made in any long-range campaign of public education on food and farm prices and on USDA program costs.

We commend Senator Mondale and other co-sponsors of this bill, and urge that your Subcommittee recommend its passage.

Sincerely yours,

ROBERT N. HAMPTON,  
*Director of Marketing Services,  
National Council of Farmer Cooperatives.*



that third of the USDA budget which represents farm income supports often provides substantial public benefits which are not fully recognized. This point also needs to be made in any long-range comparison of public education, food and farm prices and on USDA program interests.

We commend Senator Stennis and other cosponsors of this bill and urge that your subcommittee reexamine the program.

Sincerely yours,

Harmon N. Heston,  
Director of Marketing Service,  
National Council of American-Soviet



