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PERMIT ADVANCE PAYMENTS TO WHEAT PRODUCERS

GOVERNMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON LIVESTOCK AND GRAINS

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

FIRST SESSION

ON

H.R. 6437, H.R. 6438, H.R. 6439,
H.R. 6440, and H.R. 7574

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PERMIT ADVANCE PAYMENTS TO WHEAT PRODUCERS

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PERMIT ADVANCE PAYMENTS TO WHEAT PRODUCERS

TUESDAY, JULY 11, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS,
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Hon. Paul C. Jones, of Missouri, presiding.

Present: Representatives Jones of Missouri, Stubblefield, Nichols, Mrs. May, Kleppe, Zwach, and Price.

Also present: Martha Hannah, subcommittee clerk; and Hyde H. Murray, assistant counsel.

Mr. JONES of Missouri. The subcommittee will come to order.

This is a meeting of the Livestock and Grains Subcommittee of the House Committee on Agriculture to consider a bill that has been introduced by Mr. Dole, of Kansas, H.R. 6437; one by Mr. Brotzman, H.R. 6438; one by Mr. Kleppe, H.R. 6439; one by Mr. Battin, H.R. 6440; and one by Mr. Evans of Colorado, H.R. 6574.

At this point, H.R. 6437, together with the report from the Department dated June 28, 1967, and H.R. 7574 will be made a part of the record.

(H.R. 6437, the report from the Department of Agriculture, and H.R. 7574 follow:)

[H.R. 6437, 90th Cong. 1st Sess.]

A BILL To amend the Agricultural Adjustment Act of 1938, as amended, to permit advance payments to wheat producers

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 379(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following new sentence:

"The Secretary shall make not to exceed 50 per centum of the payments represented by domestic marketing certificates issued pursuant to this Act to producers in advance of determination of performance and the balance of such payments shall be made at such times as the Secretary may prescribe."

DEPARTMENT OF AGRICULTURE,
Washington, D.C., June 28, 1967.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: This is in reply to your request of March 4, 1967, for a report on H.R. 6437, a bill "To amend the Agricultural Adjustment Act of 1938, as amended, to permit advance payments to wheat producers."

This bill proposes to add a new sentence at the end of section 379(a) of the Agricultural Adjustment Act of 1938, as amended, and will require beginning with the 1967 crop of wheat, for making payments not to exceed 50 percent of the estimated value of domestic certificates earned by wheat program cooperators, in advance of the determination of performance.

The Department recommends against enactment of this bill.

The period for enrollment in the wheat program is generally conducted during February and March of the year, well after winter wheat has been planted. Wheat certificates are issued immediately after July 1, at the beginning of the marketing year. The time period between signup and final payment is relatively short and, consequently, there appears to be no need for making advance payment.

Domestic wheat certificates are considered an integral part of the support price for the portion of a cooperator's wheat production which represents his proportionate share of the estimated quantity of wheat which will be utilized for domestic food during the marketing year.

It would appear to be in keeping with the intent of current legislation for wheat farmers to receive payment for wheat certificates after the current wheat crop has been harvested and is available for market.

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

Sincerely yours,

JOHN A. SCHNITTKER,
Acting Secretary.

[H.R. 7574, 90th Cong., first sess.]

A BILL To amend the Agricultural Act of 1949, as amended, to authorize the Secretary of Agriculture to make payments in advance of determination of performance to producers participating in the wheat program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (2) of section 107 of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof a new sentence as follows: "The Secretary may make not to exceed 50 per centum of the value of any marketing certificates and other payments hereunder to producers in advance of determination of performance."

Mr. JONES of Missouri. We have with us this morning representatives from the Department of Agriculture, Ray Fitzgerald, the Deputy Administrator for State and County Operations, ASCS; who is accompanied by Claude Coffman, Office of the General Counsel; and Everett Felber, Director of Farmer Program Division, ASCS, U.S. Department of Agriculture.

I presume you will speak for the Department?

Mr. FITZGERALD. Yes, Mr. Chairman.

Mr. JONES of Missouri. I see you have a prepared statement. We will be glad to have you either read it or give us the gist of it.

STATEMENT OF RAY FITZGERALD, DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS, ASCS; ACCOMPANIED BY EVERETT FELBER, DIRECTOR, FARMER PROGRAM DIVISION, ASCS; AND CLAUDE COFFMAN, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. FITZGERALD. Mr. Chairman and members of the subcommittee, it is a pleasure to again appear before this subcommittee that has been so concerned and done so much for the farmers. I understand we are here today to consider H.R. 6437 which provides that the Secretary shall make advance payments of not to exceed 50 percent of the payments represented by domestic marketing certificates for wheat.

The primary reason we are not in favor of this proposed legislation is the matter of timing. The period for enrollment in the wheat program is generally during February and March. The issuance of wheat certificate payments start immediately after July 1, of the same year. Therefore, about 3 months elapse between the signup period and the issuance of the certificates. Since advance payments would require some processing time after the signup, perhaps the only time gained by

advance payment would be 1½ to 2 months at best. We have not considered this short period of time important enough to warrant the additional time and effort on the part of the producer to apply for an advance. In addition, an early payment provision would result in some slight additional expense and program complexity.

We do make advance payments in both the cotton and feed grain programs. For feed grains, the advance payments were about \$300 million in the 1966 program and are estimated to be about \$356 million for the 1967 program. For cotton, the advance payments in the 1966 program were about \$116 million and are estimated to amount to about \$135 million in the 1967 program.

With the exception of the 1967 feed grain program the advance payment has not been from the producers price-support payment. Generally the advance has been limited to not more than 50 percent of the land diversion payment. In the 1967 feed grain program, with land diversion payments limited to small farms, we did provide for an advance payment from the producer's price-support payment. Our reason was to provide producers with funds at the earliest feasible date—in the feed grain program the time between program enrollment and final payment is several months longer than in the case of the wheat program.

We must also recognize that wheat marketing certificates are of a somewhat different nature than the price-support payments under the feed grain program. In the case of wheat certificates part of the value is recouped through the sale of wheat processing certificates for wheat used for domestic food purposes. Furthermore, part of the confusion referred to earlier would result from the fact that the value of the wheat certificate cannot be determined until July 1—as you know the certificate value is the difference between the national average loan level and the July 1 wheat parity price.

In summary while we agree wholeheartedly with the need to make funds available to farmers as early as practicable, we do not feel that the time gained through the provisions of this bill would be of significant advantage.

Mr. JONES of Missouri. Thank you, Mr. Fitzgerald.

I think Mr. Kleppe has some questions.

Mr. KLEPPE. Mr. Chairman and Mr. Fitzgerald. Actually, the diversion payment, is it not, and is it not true that for all intents and purposes, it could be considered as a payment, an advance payment for the wheat certificates? After all, it is money to the farmer.

Mr. FITZGERALD. Yes. In both terms, it could be considered the same. The fact, however, is that we have not considered the certificate payments the same as diversion payments. The diversion payment is paying the farmer for taking particular land out of production. The certificate is a payment on wheat the farmer produces.

Mr. KLEPPE. I understand that very well. The concern I have about this is having dollars in the hands of the farmers. We have among farmers a term called "interest." They pay a lot of interest, the farmers do, and even though your testimony indicates that maybe it would mean 1½ to 2 months at best in time saved in their receiving this, it could be utilized under the provisions of this bill, and I wonder if you would explain a little more clearly as to the timing versus the length of time that the actual advance payments could be made. Could you explain this more fully?

Mr. FITZGERALD. Yes, sir. The time for signup for both wheat and feed grains is February and March. So that in the case of feed grains, for instance, we harvest the grain in the fall while the winter wheat will be harvested in the summer, starting in early July. The time, therefore, which elapses between the signup in our program and the time in which I receive the income as a farmer from my feed grains is much greater than the time elapsing between the time of signup and the time of receiving payment for my wheat, because the harvest time is different.

Mr. KLEPPE. On all wheat payments, we expect to begin the final payment shortly after July 1, in the case of wheat.

Mr. FITZGERALD. That is after compliance is completed.

Mr. KLEPPE. As I understand your statement then, the reason that you object to it, you do state here that the primary reason you are not in favor of this legislation is this?

Mr. FITZGERALD. Yes.

Mr. KLEPPE. You contend that there is not enough to be gained from it, and for that reason you are against the legislation?

Mr. FITZGERALD. No.

Mr. KLEPPE. There are no other reasons from the standpoint of administrative action in the Department of Agriculture in handling this particular advance payment, are there?

Mr. FITZGERALD. Not particularly. The complexities that could develop would be very minor in nature.

Mr. JONES of Missouri. Will you yield there?

Mr. KLEPPE. Yes.

Mr. JONES of Missouri. I think you made the statement that there would be some additional expense in handling the program also.

Mr. KLEPPE. As I understand it.

Mr. FITZGERALD. Yes, there would be, but it would be of minor consideration.

Mr. KLEPPE. As I understand it, you do not particularly object to that?

Mr. FITZGERALD. No.

Mr. KLEPPE. You are objecting to the timing not being sufficient to really warrant the passage of this legislation.

Mr. FITZGERALD. That is the primary consideration, yes.

Mr. KLEPPE. I think that completes my questioning. Thank you.

Mr. JONES of Missouri. I should have indicated before we started the testimony, that the chairman of the full committee has received a letter under date of June 28, from the Acting Secretary of Agriculture recommending against the enactment of the bill, setting forth, I think, most of the information that has been given in Mr. Fitzgerald's testimony.

Mr. KLEPPE. Is this the letter that we have before us?

Mr. JONES of Missouri. Yes, sir.

It has already been made a part of the record.

Mr. Stubblefield?

Mr. STUBBLEFIELD. What does this amount to, the handling of these payments, in the amount of money and personnel?

Mr. FITZGERALD. I cannot tell you in figures. The cost would be whatever would be involved in computing the amount due and preparing and issuing the sight draft.

(The committee was later furnished with an estimated administrative cost of \$900,000 for making advance payments against wheat certificates):

Mr. STUBBLEFIELD. Would additional personnel be needed?

Mr. FITZGERALD. At least additional time would be needed, yes, sir, and in some cases additional personnel.

Mr. STUBBLEFIELD. That is all. Thank you.

Mr. JONES of Missouri. What you are saying, Mr. Fitzgerald, is that as a minimum there would have to be an additional check issued to each farmer who had a contract for wheat?

Mr. FITZGERALD. Yes, sir, and we would have to figure what the total would be and what one-half of that would be.

Mr. JONES of Missouri. In other words, it would take as much time to write a check for a dime as it would to write a check for \$10,000.

Mrs. MAY. Will you yield?

Mr. JONES of Missouri. Yes.

Mrs. MAY. You make advance payments in feed grains and cotton?

Mr. FITZGERALD. Yes.

Mrs. MAY. Do you have extra cost in those advance payments?

Mr. FITZGERALD. Yes; there certainly is. I explained that we have, generally, made these advance payments only on diversion, where we pay the farmer for the land that he does not produce on; except for this year in the case of feed grains being the first year that we have not made a diversion payment for feed grains, except that, under the small farm provision, a man can produce no feed grains and get a payment.

Mrs. MAY. If advance payments are made and are necessary in both those fields, why is that not true in the proposition that is before us?

Mr. FITZGERALD. Because the time elapsing would not be much between the enrollment or sign-up time and the harvesting time for wheat.

Mrs. MAY. That is all. Thank you.

Mr. JONES of Missouri. Mr. Zwach, any questions?

Mr. ZWACH. No questions.

Mr. JONES of Missouri. Mr. Price, any questions?

Mr. PRICE. No questions.

Mr. JONES of Missouri. Mr. Kleppe?

Mr. KLEPPE. May I ask another question of you, Mr. Fitzgerald?

Mr. FITZGERALD. Yes.

Mr. KLEPPE. What we are trying to do, of course, is to alleviate the economic problem that exists for the farmer today under the present rules and regulations as they exist by allowing the Secretary to do this.

Now, my question may be a little bit leading onto something else, but in the absence of being able to provide additional income or to provide a man with help insofar as some of his costs are concerned, have you any suggestion that might be used to do this so that we might put money in the hands of the farmer earlier than under the present programs, without additional cost let us say?

I feel that this is the intent behind this, in putting in a bill on this subject, anyway.

What have you got that might be better than this?

Mr. FITZGERALD. In answer to your question, I suppose that if we were able some months earlier than we do now to estimate what the

parity would be, that this probably could be done earlier than we do now.

Mr. KLEPPE. I do not suppose that anybody could estimate the parity, because this is a fluctuating thing every month, as you and I know.

Mr. FITZGERALD. Yes.

Mr. KLEPPE. This is the real consideration: How we can improve the lot of the farmer under present legislation, by just getting the Department to perform under the present rules and regulations, and, in this instance, a little bit earlier so the farmer would get money in his hands and thereby be in a better position and could spend it a little earlier.

Mr. FITZGERALD. I understand that.

Mr. KLEPPE. So, really, what I am trying to find out from you is if you have any suggestion we might use to improve that situation.

Mr. FITZGERALD. This is one that I think of offhand, under present legislation.

Mr. KLEPPE. I realize that this is not a very good question, but I am just trying to probe the area a little bit so that maybe we could find our way to an agreement so that we can do something of a positive nature in helping the farmer, because you and I know what his economic situation is today.

Mr. FITZGERALD. Yes, sir. This, of course, is the primary consideration of the Department.

Mr. KLEPPE. Thank you.

Thank you, Mr. Chairman.

Mr. JONES of Missouri. Are there any further questions?

If not, we thank you for being with us this morning.

Mr. FITZGERALD. Thank you, Mr. Chairman.

STATEMENT OF HON. ROBERT DOLE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF KANSAS

Mr. Chairman and members of the Committee: I appreciate this opportunity to appear before this Committee in support of H.R. 6437, which I introduced on March 1. The bill would amend the Agricultural Adjustment Act of 1938, as amended, to permit advance payments to wheat producers who participate in the current wheat program. The bill would permit payment of up to 50% of the payments represented by domestic marketing certificates to participating producers in advance of determination of performance.

A similar provision has been included in the cotton and feed grains programs for a number of years. H.R. 6437 would essentially put the wheat program and wheat producers on a par with these other programs.

Under the feed grains program, farmers indicate in the Spring, at the time of sign up, which usually starts about February 1, their intent to participate in the feed grains program. The feed grain producer may receive his diversion payments shortly after sign up and often before the crop is actually planted. Cotton growers are also entitled to advance payments in the Spring, even though their crop is harvested in late summer. Kansas wheat is a Fall-planted crop, but under the present program, the wheat farmer cannot receive payment on his wheat certificates until after harvest and compliance has been determined—5 to 6 months later than advance payments to growers of feed grains and cotton. Present procedures for issuing wheat certificates provide that farmers declare their intent to participate in the wheat program at the time of Spring sign up—usually starting about February 1. Payments on the wheat certificates are made starting about July 1 after compliance has been determined. Participants in a single program, wheat for example, usually will receive payment sometime in July. Those participating in both the wheat and feed grains program normally receive their payments in August. I believe advance payments on wheat certificates made soon after Spring sign up are justified to an even greater degree than advance payments on

feed grains and cotton, which, as I have pointed out, for the most part are Spring-planted crops.

In 1964 a Fall sign up was conducted for the 1965 wheat crop. Sign up began on August 24 and continued through October 2. Farmers were permitted to change their intent at the time of Spring sign up if any change was necessary. If a Fall sign up (similar to 1964 procedure) were followed now, farmers could receive advance payments on wheat certificates in September—some 10 months earlier than under present procedures. In my opinion, we could and should support the farmer through advance payments on wheat certificates because of his key role in the overall national economy and as guardian of our food supplies—a strategic weapon for national security.

The Department, in its official report on this legislation, presents two reasons for opposing my bill. First, they say the bill is not needed; and second, they say the theory of the present program is better implemented without advance payments. These do not seem to be valid objections. I would point out that the wheat program should be designed to benefit the wheat producer to the maximum extent possible. It should also give the wheat farmer the maximum number of options. Under my bill, the individual wheat farmer would decide whether advance payments were needed, not the U.S. Department of Agriculture. Certainly the Department does not advocate a repeal of advance payments for cotton and feed grains producers on the grounds that these payments are not needed. Conversely, I can see no legitimate objection to extending the same option to wheat farmers.

Furthermore, I see no complication or violation of the theory of the present wheat program. The advance payments under my bill would be based on an estimate of what the full parity price for wheat would be in July. If the parity price in July were different than the estimate, the second payment could easily be adjusted for the change.

I need not remind any of you of the importance of a strong agricultural economy to the nation as a whole. Agriculture's first responsibility is to provide an abundant supply of quality food and other farm products at reasonable prices for both domestic and export needs. If the farmer is to produce adequately, then he should be compensated adequately for his labor and investment. An efficient producer is entitled to a level of income which will enable him to earn returns such as are realized on similar resources outside of agriculture. "Comparable returns" are to be understood to take differences in rural and urban costs of living into account.

Kansas produces on the average some 200,000,000 bushels of wheat per year. Participation in the wheat certificate program averages about \$140 million per year. A 50% advance payment would inject \$70 million into the agricultural economy 5 to 6 months sooner than under present procedures.

Also, advance payments on wheat certificates would materially assist the farmer in financing his investment in both Fall- and Spring-planted crops. He has a considerable investment in seed, fertilizer, as well as the cost of seed bed preparation and operating costs in planting the crop. Many of the wheat farmers now must secure high interest loans to finance their Spring planting operations.

It should be borne in mind that the hard winter wheat producing area of Kansas, Oklahoma, Texas, Colorado and Nebraska is one where drought, wind, hail and insects pose an ever present threat to wheat. These natural hazards frequently take a heavy toll of the standing wheat crop, resulting in heavy economic losses. Furthermore, this is an area where farmers are virtually compelled to employ summer fallow practices if their chances for a good crop each year are to be realized. This naturally adds greatly to their operating overhead, and since fallow land must be tilled frequently commencing early in the year, it is another reason why advanced payments are justified and necessary.

Even though the producer's investment in one wheat crop may be lost, he must reinvest almost immediately for the next year's crop. I would like to review briefly the situation relative to the current wheat crop in Kansas. There was heavy frost damage in wide areas. In early spring drought and high winds destroyed thousands of acres of growing wheat, and producers waited almost by the hour in hope of rain to save what was left. Rain finally came and a good crop appeared to be in prospect. As harvest was about to start, heavy rains and above normal rainfall again threatened the crop. Harvest has been delayed and weeds have come up through the flattened grain. The final outcome will be reduced yields as well as poor quality and, of course, sharply reduced income.

The net farm income picture is not encouraging, and the farmer needs whatever help we can offer. In April of this year the parity ratio dropped to a low of 72—on May 15 the ratio was at 74. Parity ratio is a comparison of farm income using

the years 1910-1914 base of 100. Although gross farm income prospects show an upward trend, the probability that farm production expenses will rise again this year indicates a decline in realized net farm income of possibly 5% or more, from 1966 totals.

Providing for advance payments on wheat certificates would be extremely helpful to the wheat producer, and I urge the Committee to give favorable consideration of H.R. 6437.

Mr. Jones of Missouri. Our next witness is one of our colleagues, Mr. Battin, who is one of the cosponsors of legislation we have before us. We will be glad to hear from you now, Mr. Battin.

**STATEMENT OF HON. JAMES F. BATTIN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MONTANA**

Mr. BATTIN. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear on behalf of H.R. 6437 and other identical bills, one of which I introduced, H.R. 6440.

I have in my hand—and I am sure a copy of the letter is before the committee, dated June 28, 1967, addressed to Mr. Poage, chairman of the full committee—an opposition to the bills which were referred to the Department for comment. I have had the opportunity to listen to the testimony of the Department and to some of the questions that have been propounded by members of the subcommittee to the administration witness.

I cannot think of any piece of legislation that does not have some administrative difficulties. I feel that the Department of Agriculture or any other agency of Government could overcome those difficulties if they, in fact, happened to be for the legislation that was being offered.

My primary reason in sponsoring and cosponsoring this legislation is the very realistic fact that the American farmer today, particularly in the wheat areas, has a difficult problem of economics. Certainly, the cost of borrowing money is just as realistic as the cost of purchasing seed or buying equipment to produce a crop, and it has to be figured into what his end result will be so far as his earnings are concerned from the sale of the wheat at the end of the year.

I notice in the letter that the Department sent to the committee, that they talk about winter wheat. That is true; certainly, winter wheat is planted actually the year before, but there is a great deal of spring wheat grown in the country. It is not planted, actually, until the spring of the year in which it is harvested, and where we are limiting the payment to 50 percent of the estimated value of the domestic certificate, I see no insurmountable difficulty in making that estimate without the Government losing any money. Certainly, those engaged in agriculture today have a long history of production. You can, pretty well within reasonable bounds, estimate the amount of the crop that they are going to have from the history of the land, and it becomes, with today's modern computers, very easily accomplished.

I am certain that the Department of Agriculture either uses computers or has access to them, and, thereby, it becomes a rather simple procedure.

Being a member of the Ways and Means Committee, we deal with the social security legislation which is intricate; and, certainly, the administration of the agriculture programs today is such that the

computers do most of the work, including the writing of the checks which makes much of this very simple.

So, I am here hoping that the committee will look favorably upon the proposed legislation as a means of not ending what seems to be the bigger problem in agriculture but certainly making a step in the direction of giving advance payments from which a man will receive a total payment at the end of the harvest when he sells his wheat and is automatically entitled to 100 percent of the certificate. It seems to me that it is just a step in the right direction that is going to be beneficial. I do not think the argument made by the Department in their presentation—at least, what I heard of it—or by the letter which I have before me really is sufficient reason to overcome the advantages of the proposed legislation.

Mr. Chairman, I thank you for the opportunity of being able to present my views before the subcommittee.

I will be very happy to answer any questions that I can.

Mr. JONES of Missouri. Thank you, Mr. Battin.

Are there any questions?

Mrs. May?

Mrs. MAY. Congressman Battin, you heard the statement, I am sure, that the representative of the Department of Agriculture made, which indicated that their main opposition was the matter of timing and the time involved in the proposed advance payment would be about 1½ to 2 months at best and, he went on to say, that they did not consider this short period of time important or sufficient enough for the additional time and effort on the part of the producer to apply for it.

Would you comment on that particular point?

Do you agree with that?

Do you think that 2 months is not enough, that it is not an important time factor in financing?

Mr. BATTIN. I think that it would be for two reasons: The fact that the payments should be made is: No. 1, the person who finds it necessary to borrow money would be in a much better position with the lending institutions, because he can make payments on his loan within a shorter period of time which, again, with interest computed by the day and not by a quarter or by 6 months or by 1 year, even though it is based on a yearly rate, would help; and it also puts him in a position of borrowing on a short-term basis which usually has the effect of bearing less interest than in borrowing on a long-term basis for working capital particularly where, by law, he would be entitled to a 50 percent payment on the estimated production of his crop and would be in a position to say, "Yes, I can pay this loan within a given period of time."

It would give him a stronger position when it comes to borrowing money.

I can show from my files, and I am sure every member of this subcommittee can, instances within the last 2 years where lending institutions have been turning thumbs down on agricultural loans because of the instability of the market and the probability of what they were going to receive for their product, whether it was wheat or cattle, or whatever it might be.

I think this gives him a better bargaining position and it certainly makes the lending institutions more apt to supply the necessary capital in order to accomplish the objectives of the individual.

Mrs. MAY. Then, for the reasons you just stated, you do believe that the producer would be willing to go to the trouble of providing the time and effort to apply for the advance payments, even if it would only be for a few months?

Mr. BATTIN. Yes. I believe it would work. I believe there would be a greater effort. I do not think there is any situation in the bill where the dates could not be changed or a better formula be developed to get the payments sooner on a different estimating basis—maybe last year's crop or whatever it might be, but what I think should be established is the necessity by law that this payment be made, and I think it would help a great deal.

Mrs. MAY. If I understand you correctly, Mr. Battin, this $1\frac{1}{2}$ to 2-month period might be made a longer advance time under a certain formula—

Mr. BATTIN. I would hope so.

Mrs. MAY (continuing). For the payments?

Mr. BATTIN. Yes.

Mrs. MAY. That is all.

Mr. JONES of Missouri. Mr. Kleppe?

Mr. KLEPPE. I do not have a question, but I do have a comment.

And that is: I would like to compliment Congressman Battin for his statement and for his answers to the questions.

I suspect the reason I feel this way is because I agree with him completely.

Personally, Mr. Battin, I am delighted that you came down here this morning on what I think is a very serious matter, as to the importance of this bill and how it would help to some degree the farmer situation today.

Thank you.

Mr. BATTIN. Thank you.

Mr. JONES of Missouri. Are there further questions?

Mr. Zwach?

Mr. ZWACH. I cooperate with the feed grain program and I also have advance payments and find them very, very helpful.

I am not in the wheatgrowing business any more.

My neighbors, to the north and the northwest, are in that same situation.

I am sure the farmer would welcome advance payments.

I see no reason why this would not work in wheat as well as in the other feed grain and cotton programs.

Mr. JONES of Missouri. Mr. Price?

Mr. PRICE. Mr. Battin, have you figured what the advance interest would be or what it would cost the Government by advancing this money for 1 or 2 months?

Mr. BATTIN. No, I have not, but I would compare this with the overall data—that it would be a very minimal portion of the \$14 billion that we pay in interest on our national debt each year. If you will follow my logic for just a minute: First of all, the debt in proportion to the gross national product, the usual figure that is used to make comparisons of our position today versus our position of years past—One of the ideas, of course, is to eliminate not only as much as possible of

the public debt but also as much of the private debt as possible, because both of them have a weighting down on the general economy.

Where a person is going to get a payment at the end of the year, to pay him in advance and have him put that money back into the economy, it becomes a spendable part of that economy and it would have a salutary effect rather than a devastating effect, so far as the national debt and the gross national product is concerned.

In the financial end of it, I could see an advantage not only to the farmer but also to the economy. I do not consider money paid in interest as being productive, as far as the expansion of our economy is concerned, but I do feel that money that is made available by way of payment that is then spent in the economy is productive.

For that reason, I think that it would have a good effect.

Mr. PRICE. Well, I might say that I do a little farming myself. I have never participated in any of these programs. I have gotten along very satisfactory. I sometimes wonder, with all due respect to you, if these programs have not created a psychology of "Give me more and more."

If we can get our money in the spring, naturally we are in a better position to go to the banker and say "I have one-half of my payment; loan me the money for the seed, and so forth." But once you do this, what next?

Mr. BATTIN. I would not consider this, in any way, a new program. It is a question of making a payment on an existing program. There are many people in my State who do not participate in any type of farm program. They would, of course, in no way be affected.

The question is—and I again look at what exists and I am not talking about the creation of a new program but what exists under present programs: How can payments be made to those who do cooperate in the program, to give them the best possible situation without any tremendous increase or any increase in the basic costs.

Mr. PRICE. I can see that this could put the farmers in a better position. If we are going to have the program, I see no reason for their not advancing the money 2 or 3 months ahead of time.

Mr. BATTIN. That is my point.

Thank you.

Mr. PRICE. Thank you.

Mr. JONES of Missouri. May I just interject this?

I understood you to say that they could make these payments on the basis of a previous planting?

Mr. BATTIN. Yes; I would think so, with this stipulation, Mr. Chairman. There has been, since the inception of the agriculture program, a pretty good record kept at the county and State and National levels, what the land will produce on the average. Each county has an average upon which payment is made on wheat, even though one producer might get a yield of 30 bushels to the acre and his county average might be 20 bushels per acre. And this is what, as I understand it, the payment is based upon. We can pretty well anticipate ahead of time—and I would hope that we could more than a few months in advance—what the Department thinks is going to be necessary, by way of production. We have had recently the situation of increased acreage, and now it is cut back in acreage. This is well known to the Department long prior to the time that it is known to the producers.

Now, we, again, are not talking about a 100-percent advance payment but a partial payment of 50 percent. Maybe it should be 35 percent. I do not know what that figure should be, but the idea is whatever it is necessary to establish, as is done in other commodities. We seem to be singled out here as not being entitled to it.

Mr. JONES of Missouri. In some of these commodities, in cotton, they pay on the diversion payment basis which is payment for not planting and is something else. So, this is a new program in respect to wheat.

Mr. BATTIN. How about feed grains?

Mr. JONES of Missouri. I am not as familiar with that as I am with cotton. It is on diversion that that is paid. You do have a contract, based on actual performance.

Mr. BATTIN. Yes.

Mr. JONES of Missouri. I bring this up, because it seems to me in this instance you are getting into a guaranteed annual wage, that type of program.

Mr. BATTIN. I can assure you, if I felt that way I would not be here, nor would my name be on the bill.

Mr. JONES of Missouri. Thank you.

Are there any further questions?

If not, we thank you again.

Mr. BATTIN. Thank you, Mr. Chairman.

Mr. JONES of Missouri. At this point, I shall insert into the record, without objection, statements by the Honorable Donald G. Brotzman, Ray Obrecht, master, Colorado State Grange, and the Honorable Frank E. Evans, who cannot be here this morning.

(The statements referred to follow:)

STATEMENT OF HON. DONALD G. BROTZMAN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF COLORADO

Mr. Chairman and Members of the Committee: It is a real pleasure for me to appear before this committee in support of H.R. 6437. I introduced an identical measure, H.R. 6438, on March 1, and am pleased that the committee is holding these hearings.

This bill would amend the Agricultural Adjustment Act of 1938, as amended, to require advance payments of up to 50 per cent to wheat producers who participate in the current wheat program.

Mr. Chairman, on February 1, 1967, Mr. Roald Harbo, President of the Rocky Mountain Farmers Union, wrote to me with the suggestion that wheat producers be given the privilege of drawing one-half of their 1967 wheat certificate payments in advance. Mr. Harbo explained the need for this legislation, and I quote from his letter:

I think in most cases it could be determined right now, and most of our producers will soon be needing additional operating capital which because of the tight money policy may not be available in the amounts they need. If available, interest rates, as you know, on farm loans are the highest in 40 years.

Not being a member of the Agriculture Committee, I decided to visit with our distinguished colleague and my good friend, the gentleman from Kansas, Mr. Dole, regarding this matter, and on March 1, 1967, he introduced H.R. 6437. I joined him in introducing an identical bill, H.R. 6438, at the same time.

H.R. 6437 will treat wheat producers the same as farmers who participate in the feed grains and cotton programs.

Mr. Chairman, in Colorado we produce both Spring and Winter wheat. Under this bill, Winter wheat producers would receive the first half of their payments in the Fall, and Spring wheat producers would receive theirs in the Spring. It is true that Spring wheat producers could conceivably receive a payment before the crop is actually in the ground. However, in the case of the feed grains program,

a participating farmer receives payment before the crop is planted or shortly thereafter. It seems that advance payments on wheat certificates can be justified on the same basis as advance payments on feed grains and cotton.

As Mr. Harbo pointed out in his letter to me, advance payments on wheat certificates would be an added economic incentive to the farmer, and in turn, would assist in stimulating a sluggish national economy.

The Department of Agriculture has estimated for my own State of Colorado that \$29,100,000 will be paid under the Wheat Certificate Program in 1967. If advance payments of 50 percent were available, this would mean an injection of \$14,550,000 into the State economy up to four or five months ahead of schedule.

Mr. Chairman, advance payments would be of the greatest assistance to the wheat producer in financing both his Fall and Spring crops. Often the farmer is forced to take out high interest-bearing loans to finance his crop investment and to purchase additional machinery. Advance payments would assist in relieving him of this burden.

I am including as a part of this statement a letter from Mr. Ray Obrecht, Master of the Colorado State Grange, expressing his organization's support of this measure.

Mr. Chairman, I ask that you give favorable consideration to H.R. 6437.

COLORADO STATE GRANGE,
Denver, Colo.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: The Colorado State Grange wishes to make the following statement on HR 6438.

If we are going to continue the present wheat program, which we feel is very inadequate in many respects, it would be a definite improvement to allow the producer who signs up to comply to receive an advance payment of 50 percent of his domestic certificates (at his option).

Therefore we urge your consideration of HR 6438 to go into effect at this fall 1967 sign up.

This principal has been in effect on feed grains and we urge this equalization among producers.

RAY OBRECHT, *Master.*

STATEMENT OF HON. FRANK E. EVANS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. Chairman and members of the committee, I appreciate this opportunity to testify before you in behalf of my bill, H.R. 7574, which provides for the advance payment of up to 50 percent of the value of domestic wheat certificates to farmers when they sign up under the wheat program each year.

The reason for this bill is simple: it gets money, which will be his anyway in 4, 5 or 6 months, into the farmer's hands when his needs for capital are greatest.

Under the current wheat program the payments for the certificates are not made until the wheat is marketed which may be up to six months after the farmer has signed up under the program. Allowing him to take an advance on his certificate payments reduces the amount of money he has to borrow in the spring and thereby reduces his total credit costs.

The high interest rates which prevail now have been a real factor in the cost-price squeeze the farmer finds himself in these days, and this adjustment will have a meaningful effect on his net income. Furthermore, it will ease the pressure on the various lending agencies who are already overburdened by the demand for agricultural loans.

Partial advance payments are already a feature of the cotton and feed grain programs, and although the gap between sign-up and payment under the wheat program may be shorter than for these other commodities, it is still a significant amount of time.

The wheat farmers in my part of the country need some relief for their financial difficulties. I hope that you will consider this bill favorably.

Mr. KLEPPE. I would like to ask unanimous consent to insert a statement into the record at this point.

Mr. JONES of Missouri. Without objection, it is so ordered.

(The statement of Mr. Kleppe follows:)

STATEMENT OF HON. THOMAS S. KLEPPE, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH DAKOTA

Thirteen of the 30 counties in North Dakota's Second Congressional District are currently suffering from severe drought and have been declared disaster areas to permit emergency haying and grazing on retired acres. Eight additional counties have made application for similar consideration.

This drought situation is a calamity for thousands of wheat producers and livestock men in the affected areas. Already hit by low prices and high production costs, these farmers and ranchers are now facing the prospect of losing their crops and the necessity of liquidating a part of their herds.

They are going to need credit to remain in business during the year ahead and in today's money market credit is neither easily available nor cheap.

The bills we have under consideration here offer no solution to these problems but they would provide some assistance. I believe that if the advance payments on wheat certificates were approved, many farmers next year could get by without having to make costly production loans. Advance payments are permitted for some other commodities. Under today's emergency circumstances, I believe the same consideration should be extended to wheat growers.

Mr. JONES of Missouri. I will make a statement later: If Mr. Dole, who is en route by air and who has sent word he will be late, has not made an appearance by the time we get through, his statement will be included, and will appear immediately after the statement of Mr. Fitzgerald of the USDA.

The next witness we have is Mr. Glen Hofer, the executive vice president of the National Association of Wheat Growers.

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

STATEMENT OF GLEN HOFER, EXECUTIVE VICE PRESIDENT,
NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. HOFER. Mr. Chairman and members of the subcommittee, my name is Glen Hofer, and I am the executive vice president of the National Association of Wheat Growers.

We appreciate the opportunity to express to your subcommittee our views concerning H.R. 6437, which would provide that the Secretary of Agriculture shall make up to 50-percent payment of the domestic marketing certificates to producers in advance of determination of performance.

The National Association of Wheat Growers favors early partial payment of certificates for several reasons:

It is generally agreed that an adjusted parity ratio of 80 is not furnishing agriculture with adequate financing in many cases. The cost-price squeeze is not a myth out on the wheat farm, and an annual trip to the bank to arrange for a loan to provide for spring operating expenses has become a hard reality for many of our producers. When winter breaks and the growing season begins, a whole series of farming costs is faced by the wheat producer within a relatively short period. As soon as the fields are dry enough for the operation of machinery, there is weed control and top dressing to be done in the winter wheat areas, and seedbed preparation, fertilizing, and seeding to be done in the spring wheat areas. In many areas the first steps of summer fallow preparation must be undertaken. All of this when payment of winter overhaul bills and the property and income taxes have greatly reduced the farmer's cash assets. Thus the necessity of a loan carrying from 6 to 7 percent interest charges. Calculations have been made that slightly more than \$700 million will be earned through domestic marketing certificates by wheat farmers in 1967, and a similar figure can be esti-

mated for 1968. If early payment were made on 50 percent of \$700 million, it would amount to \$350 million. If, in turn, the early payment would make unnecessary the borrowing of that sum from the banks for 4 months at 6 percent, it could save our farmers \$7 million in interest charges alone.

Of course, not all of our producers are equally hard pressed, and it is not likely that there would be a 100-percent request for early payment by complying farms. However, it is our conviction that there is a real need for such an option for the wheat community as well as for cotton and feed grains.

By testifying in favor of the amendment proposed in H.R. 6437, the National Association of Wheat Growers does not wish to imply a lack of support for our present wheat program, which we feel has taken a long stride toward relieving the desperate situation our commodity was in a few years ago. We simply feel that the addition of this financial tool will help many of our wheat producers weather this transitional period between the years of surplus-depressed prices and the hoped-for time when world demand for wheat and an aggressive marketing program will allow the marketplace to return a price more appropriate to our needs.

In summary, it is our association's opinion the amendment proposed by H.R. 6437 would offer a significant measure of financial assistance to our producers during that period of the year when their solvency is at a low ebb while at the same time the seasonal demands for operating capital intensify.

Mr. JONES of Missouri. Thank you, Mr. Hofer.

The only comment I have is: At the top of page 2, you estimated a 4 months' interest saving. The Department said it was 1½ to 2 months. Where did you get the figure of 4 months?

Mr. HOFER. The Department has indicated that payments were being made earlier, but I know that last year up in the Dakotas and in Montana quite often the payments on the certificates were not made until early fall, and in many cases it would be more than 4 months. I do not know how the program payments will be made this year. It may be that their plans are for narrowing that down. The 4 months was arithmetic that was easy for me.

Mr. JONES of Missouri. Mrs. May, any questions?

Mrs. MAY. I have no questions. I think that the statement was made by the Department, in the statement submitted, that the period of time would be 1½ to 2 months.

Do you think that under the provisions of the bills being sponsored here for this advance payment, that the farmers would apply for it?

Mr. HOFER. I think they would, since you know they are hard pressed. You must remember, for instance, that this year in Texas and in other areas, those people, by next spring, are going to be needing money. They are borrowing money already. One and one-half to 2 months will help pretty much.

Mrs. MAY. Do you think, based on last year's payments and previous experience, that the 1½ to 2 months' period is not necessarily something that is definite, so far as to how this program might work—that it might be longer than that under certain conditions?

Mr. HOFER. That is right. I certainly do agree with that. I think we could easily have a 4 months' period.

Mrs. MAY. I am in no position at this time to argue with the Department on this, but I have some questions on how they arrived at the 1½ to 2 months mentioned.

Thank you. That is all.

Mr. JONES of Missouri. Any questions, Mr. Nichols?

Mr. NICHOLS. No questions.

Mr. JONES of Missouri. Any questions, Mr. Kleppe?

Mr. KLEPPE. No questions.

Mr. JONES of Missouri. Mr. Price, any questions?

Mr. PRICE. I see a question I asked Mr. Battin has been answered.

He said by a 4 months' advance of this money it would save \$7 million in interest charges alone to the farmer but would cost the Government to offset the advance.

Mr. JONES of Missouri. Thank you.

Mr. HOFER. Thank you.

Mr. JONES of Missouri. Our next witness is Mr. Harvey N. Sickels, secretary and legislative representative, National Farmers Organization.

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

STATEMENT OF HARVEY N. SICKELS, SECRETARY AND LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION

Mr. SICKELS. Mr. Chairman and gentlemen of the subcommittee, my name is Harvey N. Sickels, and I am secretary and legislative representative for the National Farmers Organization.

We are here today to offer testimony in support of H.R. 6437 introduced by Congressman Dole, of Kansas, to provide necessary legislation to permit advance payments to wheat producers.

The wheat producers are like the rest of the agricultural producers in that they are producing food for this Nation and the world at much less than a parity price for their product. They are actually much worse off financially than they have been for some time.

Department of Agriculture figures show that the wheatgrowers produced 1.358 billion bushels of wheat at \$2.29 per bushel in 1947. In 1955 they produced 1.457 billion bushels of wheat, the highest of record, for \$1.75 per bushel, and in 1965 they produced 1.315 billion bushels for \$1.35 per bushel. Some people are predicting that the yield for 1967 is to be 1.5 billion bushels, a new alltime record. The wheat farmers are now guaranteed \$1.25 per bushel. As production has remained somewhere near the same with production cost rising and the wheat price falling there is a continuing squeeze on the farmers in the middle.

We believe that the advance payments would be a source of ready cash and would help to some degree in relieving the farmer from the immediate effects of the cost price squeeze.

We also believe it would be of advantage to the Government, as we feel farmers who have received advance payments are more likely to fulfill their performance requirement than those who have overplanted with the intent of destroying in time to prove performance. This would, we feel, give the Secretary of Agriculture more definite knowledge of the wheat farmers' intentions than he has at the present time. It would increase the cost to the Government only nominally and would be of some benefit to the wheat farmer. For this reason

we urge the committee to take prompt and immediate action on this proposal.

We appreciate the opportunity to appear here today and thank you for listening.

Mr. JONES of Missouri. Are there any questions?

If not, thank you.

Mr. SICKELS. Thank you.

Mr. JONES of Missouri. Our next witness will be Mr. Harry L. Graham, legislative representative of the National Grange.

We will be pleased to hear from you now, Mr. Graham.

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

Mr. GRAHAM. Mr. Chairman and members of the subcommittee, the National Grange appreciates this opportunity to appear before this subcommittee in support of the bill introduced by the distinguished Congressman from Kansas, the Honorable Bob Dole, to permit an advance payment to wheat producers who participate in the current wheat program.

Incidentally, I understand that Congressman Evans has a similar bill introduced, so that it becomes a bipartisan approach to this problem which is facing our wheat people.

Our reasons for supporting H.R. 6437 briefly are:

First, it would bring the wheat program into conformity with the cotton and feed grains programs in which advance payments are made a considerable time before the harvesting and the final compliance with the programs.

Second, if this bill is passed, the payments would be received at a time of relatively great need as far as the farmers' production expenses are concerned. If the payments were made after the spring signup and preceding the market receipts for the wheat by several months, this would be an economic advantage of no small consequence to the farmer, who generally finds himself in a hard-pressed credit situation at this time.

May I add, in connection with this statement, that with the size of the wheat that is being predicted this year and with the decline in exports partly because of the exclusion of Yugoslavia from Public Law 480 and Egypt which took 100 million bushels out of our market, and because of the situation in the Near East to which we ship no wheat, the only wheat that is going to India and Pakistan going from the west coast, we are in a situation where it appears to be to the advantage of the farmer to hold his wheat and to place it under a loan for a period of time rather than to sell it, and this was the basis on which the Department issued its resale in commercial storage regulations a couple of months ago so that in a year such as this the advance payment is more pertinent than it would be in years when the market price was steadily rising and when the opportunity of realizing from the market at a relatively high price would be available. So, this adds a different dimension to this bill this year than it would in some other years.

Frankly, the Grange would support an advance payment for the fall wheat considerably before the spring signup and the advance payment for the spring wheat after the spring signup.

The farmer's investment in the crop for the fall-planted wheat has already been made by the last of October, and the necessity of waiting until March for any payment at all is putting a little extra strain on the already sore back of the camel.

Since these payments are basically made as a reward for compliance in the programs, it does not seem to us to be particularly reasonable to assume that the farmer has not complied at the time he has planted his acreage within his allotment. The change in the departmental procedures to permit certification of compliance with only spot checking to determine whether or not the farmers were in compliance indicates that the Department itself is convinced that, in general, the farmer is to be trusted when he certifies that he has complied with his acreage allotments.

The argument that the parity ratio might change certainly does not appear to be a very strong one in that adjustments that might need to be made, either upward or downward, in the remaining payment due farmers could easily be made at the time of the final payment for program participation.

Our third reason for supporting this bill is that we believe it would be an additional factor to strengthen the program and to increase compliance in the program. We also are convinced that the larger the number of wheat growers complying in the program, the better the program will be and the easier to administer. The planning that is a part of the programing would be simplified considerably as well.

In this latter connection, we would point out that it was the lack of compliance on the part of the soft wheat growers this last year, which is rather traditional since they are mostly farmers with small acreages, that has been a major factor in the extra-large production of soft wheat already entering the market. The prediction of the size of the soft wheat crop which will be available has carried the price of the soft wheat down 15 cents, more or less, under the price for hard wheat. Therefore, it seems that anything which can be done reasonably, legitimately, and within the sphere of the legislation to increase compliance in these programs, would be helpful to the total rural economy, with the influx of money into these communities far ahead of the harvest time. This could be of particular interest to the lady from Washington, because in her area there is pretty general compliance in the soft wheat growing, but beginning with Mississippi and coming northward, up the Mississippi Valley, this year, there was a fairly large lack of compliance, and an extremely heavy crop that depressed the soft wheat market all across the board.

Therefore, Mr. Chairman and members of the subcommittee, the Grange respectfully urges that you give swift and favorable consideration to this legislation in this distinguished subcommittee and refer it promptly to the full committee with a request for prompt action by them.

The Grange assures you that we shall support this action of the subcommittee, both before the full committee of the House and before the full body of the House of Representatives. We believe the legislation is wisely conceived, is timely, and is needed to help stabilize the rural economies which have already been shaken by declining wheat prices this year.

We would point out that we do not believe this is the only legislation necessary to stabilize the wheat market, but we believe that this

legislation will have a good effect, and consequently we are giving it our most vigorous support.

And I might add one additional comment, and that is: On the arithmetic that has already been bandied around here a bit, the statement of Mr. Hofer that this would save the farmers \$7 million does not equate with the cost to the Government, because the Government does not pay 6 percent for their money.

Mr. JONES of Missouri. What are they paying now?

Mr. GRAHAM. 4.25 and 4.30, according to the terms of the loan.

Mr. JONES of Missouri. Are there any questions?

Mrs. MAY. Would you comment on the Department's statement about the timing factor being their main reason for opposition to this bill?

Mr. GRAHAM. To move their payments up faster than had been traditional, the timing it seems to me is pretty optimistic in terms of when the farmer would get his money. Maybe they are going to be ready to pay at the time that their crop is harvested. I do not know. The latest they are expected to pay is the time when they certify compliance, and that is done fairly early in the spring and considerably before the crop is harvested. If they are going to go out and measure the land, if they are going to spot check, once the compliance is there the farmer has really earned his money by complying.

If they are going to accept the certification of the compliance by the farmer within the ASCS rules, the administrative rules, they are in general agreement, with no more than about 10 percent of the people who are out—and they can spot check it every year, and the rest of them would be planting if they said so 150 acres and not 107 acres. The farmer is basically honest. He has earned his payment at that time and he ought to get it and not at some later date. This is what we do in feed grains and in cotton. I cannot see any reason why we should not have the same treatment.

Mrs. MAY. The result of the passage of this bill would only give the farmer the advantage of getting the money 1½ to 2 months earlier. Do you think that would be worth it to the wheat producers?

Mr. GRAHAM. I have seen times when I would be glad to have it 15 days ahead of time.

I think one suggestion I have for changing the bill is to make the fall payments, that is, the payments for the fall wheat, considerably earlier. The man has invested his money to seed and fall plant and some of them sooner than that would summer-fallow, and I do not see any reason why he should have to wait until those in Kentucky, for example, have planted their spring wheat. It just does not make sense. We have two different crops here that are involved, just like cotton and corn and wheat are different crops, and if the spring wheat man could earn it in, say, 60 days from the time of planting, why should not the fall wheat man earn it in 60 days, too; that is, a certain percentage of it, anyway.

Mrs. MAY. Do you see any cause for objection to payments based on the types of wheat as you have suggested?

Mr. GRAHAM. I do not see any objection. If he took his options, I do not see any great administrative difficulty; one way or the other, any more than they are paying for corn and cotton. They are different crops, of course.

Mrs. MAY. Thank you very much, Mr. Graham.

That is all, Mr. Chairman.

Mr. JONES of Missouri. Are there any further questions?

If not, thank you, Mr. Graham.

Mr. GRAHAM. Thank you.

Mr. JONES of Missouri. Our next witness is Mr. Reuben Johnson, representing the National Farmers Union.

We shall be pleased to hear from you now.

Mr. PRICE. Do you have any figures on how many employees the Department of Agriculture would have to employ to administer this bill?

Mr. JONES of Missouri. They did not have that figure this morning when they testified. It is just a matter of writing additional checks for the people who receive them.

Mr. PRICE. In order to have the farmers to comply, would there be additional costs?

Mr. JONES of Missouri. I do not know there would be additional expense. That is what they said; but it would be small, they said. They did not say how much it would be.¹

Mr. KLEPPE. He also indicated that that was not part of the reason for objecting to this legislation when I questioned him.

Mr. PRICE. My understanding of the reason for their objecting to it is that it would cost the Government some interest. The Department wants to support it, but a part of the administration feels that it will cost extra money.

Mr. KLEPPE. That is not what they said. The only reason they objected to it was the timing element. The question of the administrative costs, additional administrative costs, would not be the reason for their objection.

I wanted to get that clear, and that is why I asked them.

Mr. JONES of Missouri. They did make the statement, in addition to the early payments, that it would result in some slight additional expense.

Mr. KLEPPE. They admitted that, yes.

Mr. JONES of Missouri. We will now hear from you.

STATEMENT OF REUBEN JOHNSON, DIRECTOR OF LEGISLATION, NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman and members of the Livestock and Feed Grains Subcommittee, I am pleased to be here.

The National Farmers Union is a strong advocate of making one-half of the payment available to wheat farmers at the time they have signed up in the program.

We would like to urge this subcommittee to approve it.

I would like to point out what are relatively slight differences in the bill introduced by Congressman Dole and other members of the subcommittee and the one introduced by Congressman Evans of Colorado.

Congressman Evans' would amend the Agriculture Act of 1949; Mr. Dole's would amend the Agricultural Adjustment Act of 1938. I have wracked my brains trying to figure out just which of these would be best. We will have no objection either way and urge the subcommittee to make that determination.

¹ See p. 5.

I think the point was well made by Harry Graham that this is not a partisan measure. I would like to say offhand here that I am delighted to have the support from all the Republican members of the subcommittee.

I would like to compliment those from the Republican side who support this bill. It is a proposal that has widespread support on both sides of the aisle, and I hope that it will be looked upon as a strictly nonpartisan measure.

Our delegates at the convention in Oklahoma City in March adopted a proposal consistent with the bill, and I would like to ask, Mr. Chairman, that this little four-point statement, out of the target program, adopted by the delegates, be made a part of the record at this point.

Mr. JONES of Missouri. Without objection, it will be made a part of the record.

(The statement referred to follows:)

WHEAT

1. We reaffirm the objective of full parity price for all the wheat produced in the United States. We urge the Congress to provide a special export certificate or payment at not less than 65 cents per bushel. We recommend that all wheat utilized in our Food for Peace Program be certificated.

2. We urge that one-half of wheat certificate-payment be made at time of signup.

3. We reaffirm our support for the International Wheat Agreement with an increase in the minimum-maximum price range and urge its extension when it expires on July 31. We recommend that a bona fide wheat producer be appointed to the United States delegation to GATT and IWA negotiations.

4. We urge extension of Commodity Credit Corporation loan resale privileges on farmer-owned wheat on farms and in commercial storage.

Mr. JOHNSON. One other point having to do with fall payments: Some of the earlier witnesses were thinking, I am sure, for good reason, about spring wheat areas, because that is the area they represent. It would appear to make the program work better by providing payments in the fall-seeded wheat areas, too.

I agree fully with the statement made by an earlier witness here that farmers could use the advance. When a farmer seeds his wheat in the fall he ought to be entitled to a payment at that time, and that might be 10 months ahead of the time that he receives the payment under present procedure. I just do not see any mechanical problem or administrative problem about putting this into motion. It is already being done in feed grains and in cotton.

We have, as an earlier witness pointed out, all the modern machines that can bill and do those kinds of things with very little effort.

I think that when you get right down to it, Congressman Price, that you put your finger on it. Somebody around the Budget Bureau does not want to spend the extra interest on the money. I will be very frank, I become very frustrated when I come up against these kinds of opposition. Although it may not be so clearly stated for the record, the underlying current of opposition is in increasing the cost of the program. I feel that as long as the parity ratio is at the level that it is at the present, 74 I believe, that we ought not to fuss around about \$6 or \$7 million in interest if we can give the farmer a little advance operating capital, which would mean, essentially, that he would not have to borrow as much money as he normally would have to borrow, and thereby can save interest. It is a relatively small thing when you look at it from one standpoint, and yet it would be a tremendous asset to the producers who would receive this advance payment.

I hope that the subcommittee will approve the bill.
Thank you very much.

Mr. JONES of Missouri. Thank you. Are there any questions?

Is there anyone else here who would like to testify on this legislation?
Is there any other business to come before the subcommittee?

If not, without objection, the subcommittee will stand adjourned.
(Whereupon, at 11:10 a.m., the subcommittee adjourned.)



