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EXTENSION OF PUBLIC LAW 480

GOVERNMENT

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HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES NINETIETH CONGRESS SECOND SESSION ON H.R. 15693

FEBRUARY 28, 29, MARCH 6, 7, AND 8, 1968

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EXTENSION OF PUBLIC LAW 480

WEDNESDAY, FEBRUARY 28, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Abernethy, Abbitt, Jones of Missouri, Purcell, O'Neal, de la Garza, Vigorito, Jones of North Carolina, Dow, Nichols, Montgomery, Brasco, Rarick, Belcher, Teague of California, Mrs. May, Dole, Hansen, Wampler, Goodling, Miller, Burke, Mathias, Mayne, Zwach, Price, and Myers.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant consultant.

The CHAIRMAN. The committee will come to order.

The committee has met this morning for the further consideration of the extension of Public Law 480. We do not have before us any specific legislation,¹ although it has been suggested that it might be well to introduce legislation specifically to extend Public Law 480 for a specific period of time and to have such amendments as might seem desirable. It seems to the chairman, at least for the present, that there is no need for that sort of thing. We all know what Public Law 480 is; we all know what changes we think should be made—at least, we all may not know, but we are here for the purpose of considering any changes that may be needed in that legislation, and we can discuss those proposed changes, and if we come to any agreement or a consensus as to the need for changes in the legislation, we can introduce them and move along.

We have set these hearings in order that there might be a little more consideration given to some of these matters that cannot be given if we separately decide that we have some specific amendments. I think that the Senate has agreed to devote 3 days to a hearing before marking up this legislation. We have already devoted about 2 weeks, and we are going to devote more than 3 days in the future. We have today, tomorrow, and Friday with witnesses who want to discuss this legislation, and we will be glad to hear from them.

We will then later, next week possibly, begin to limit the time more severely. With the thought that those who want to be heard at length or more length might be heard, we are conducting these hearings today as we are.

¹ H.R. 15693 was introduced by Mr. Purcell on Feb. 29, 1968.

This morning we have Mr. Robert M. Koch of the National Limestone Institute. Mr. Koch is also the executive director of the Committee on World Food Crisis, Inc.

We will be glad to hear from Mr. Koch now. It is your suggestions in connection with Public Law 480 on which we wish to hear your opinions, and we will be glad to hear from you now, Mr. Koch.

STATEMENT OF ROBERT M. KOCH, EXECUTIVE DIRECTOR, COMMITTEE ON THE WORLD FOOD CRISIS, INC., WASHINGTON, D.C.

Mr. KOCH. Thank you, Mr. Chairman.

It is a real privilege for me to appear before you in my capacity as executive director of the Committee on the World Food Crisis to support extension of the Food for Peace Act of 1966—commonly known as Public Law 480—for 3 years or more.

First, I want to say that the entire membership of our committee, as well as the more than 700 delegates to the Second International Conference on War on Hunger which we called last Tuesday here in Washington, are appreciative of your participation, Mr. Chairman, and that of Congressman Dole. Your contributions to our legislative panel were invaluable.

Participants who came from all around the globe, as well as from nearly every State were almost unanimous as to the reasons for and the scope of the problems facing the world.

They certainly were unanimous in feeling that there can be no effective program to establish peace in the world which does not encompass plans to adequately solve our population and food crisis. As Ambassador Sol Linowitz said at our final banquet session, "Rarely has any international conference—on any subject—had the unanimity that marked yours today."

Before going further, Mr. Chairman, I would like to offer to your committee copies of the prepared papers presented last Tuesday for such use as you would care to make of them.

As you who were there know, and as we have all heard at recent hearings on this complex subject, practically no one objects to the goals, but some differ as to the method of obtaining them. They agree with the President's statement in his agriculture message when he said in relation to the world food situation:

The clock continues to tick in the developing nations—as the shadow of hunger threatens to turn into a nightmare of famine . . . This (Food for Freedom) lifeline of hope to the needy of the world cannot be withdrawn.

May I say that most of us were very much encouraged by the passage of the 1966 act. With its relatively abundant funds—those authorized to be appropriated, plus those carried over—many of us expected quite substantial accomplishments. Frankly, we were quite disturbed at the effect on American agriculture.

Some of us did not realize that there were insufficient safeguards to adequately protect the American farmer from the serious price-depressing effect of permitting production called for to meet these war-on-hunger requirements to commingle in market channels with the regular commercial supplies.

And we urge the Congress to pass whatever legislation is necessary to see that he never again is hurt when he responds to his Government's request.

As everyone on your committee knows, never in the history of our Nation have the farmers failed to perform when asked to do so by their Government. And, all too frequently, temporary benefits have not only been lost but they have suffered for decades afterward from surplus supply as measured against effective demand.

This war on hunger, or fight for peace, or whatever you wish to call it, is the concern of all the people and the cost should come out of the Federal Treasury and be borne by all taxpayers just as we finance our military wars.

Our committee was organized just a little over 2 years ago by a group of us who felt that a citizens group without any particular program to emphasize should be formed to mobilize grassroots support for an all-out war on hunger.

The overriding goal was—and is—to improve the prospect of peace. We firmly believe the forces at work can be devastating. We must help the underdeveloped nations to find the roads to self-help programs. If we do not, the population explosion and the resulting masses of undernourished, uneducated people will become hordes of hundreds of millions of people easily exploited by leaders who will only have to promise a better life—not actually provide it.

The following statistics seem to me to prove conclusively that peace in the world is attainable.

In 1958, there were 23 prolonged insurgencies going on in the world; by 1966, there were 40. Furthermore, the total number of outbreaks of violence has increased every year. In 1958, there were 34; in 1965, there were 58.

Most significantly, there is a measurable relationship between the incidents of violence and the economic status of the countries involved. The nations categorized by the World Bank, as per capita income, are: rich, middle income, poor, and very poor.

The rich nations are those with a per capita income of \$750 per year and up. The U.S. level is upwards of \$2,700. Seventy-five percent of the world's wealth is possessed by 27 of these rich nations, although only 25 percent of the world population.

However, only one of these rich nations has gone through a major internal upheaval since 1958.

On the other hand, the economic scale, however, shows another story. Of the very poor nations—those with a per capita income of under \$100 a year—which total 38 nations, no less than 32 have endured significant conflicts. History shows that these nations have undergone an average of two major outbreaks of violence, per country, over an 8-year period. To be sure, this is a significant amount of conflict and predominantly of a prolonged nature.

In the case of the other two categories, the poor and the middle income nations, the trend holds constantly true. The statistics of serious violence for these two categories, since 1958, are: Eighty-seven percent of the very poor nations, 69 percent of the poor nations, and 48 percent of the middle income nations.

Therefore, there is no question but that it is a fact that there is an undeniable relationship between violence and economic backwardness. And the trend of such violence is up—not down.

We have all heard the literally staggering statistics about the millions of people that are being added to the world. Most of us really cannot think in terms of millions and billions—or maybe I should simply say that I cannot. But when I heard Ambassador Linowitz describe the problem on the basis of every 60 seconds, I found that I could visualize it better. He said:

During the next 60 seconds, 200 human beings will be born on this earth. 160 of them will be colored—black, brown, yellow, red. About half will be dead before they are a year old. Of those who survive, approximately half will be dead before they reach their sixteenth birthday. The survivors who live past 16, will have a life expectancy of about 30 years. They will be hungry, tired, sick, most of their lives. Only a few of them, if that many, will learn to read or write. They will till the soil, working for landlords, living in tents or mud huts. They—as their fathers before them—will lie naked under the open skies of Asia, Africa and Latin America—waiting, watching, hoping—starving.

These are our fellow human beings, our neighbors, if you will. Is it any wonder that despair and revolt at hunger, envy and, even anger, over the inequality of life, is the most urgent political economic fact of our day?

Many feel that our Christian heritage demands our concern for our fellow man—and, I yield to no man in the desire to help the underprivileged—yet it seems to me that all we advocate is in our own self-interest.

Nearly everyone will agree we cannot pull back to our shores and attempt to enjoy our affluence. Possibly, all of us in this room could live to enjoy relative freedom from world problems for a few years if we did this. But what a legacy to bequeath our children and future generations.

The more than 10,000 organizations and individuals associated with us share a desire to work together for a better world. Some would emphasize population control; some would increase the teams of trained experts now fanning out through the world under the supervision of our colleges and universities; others would increase the agribusiness projects of new installations, better distribution facilities, et cetera, et cetera. But I would like to stress that all would increase our total effort. Furthermore, I must emphasize that all of us who organized this committee were literally astounded that the grassroots seemed to be way ahead of us.

Our first conference was not only well attended by experts in every field associated with the problem, but many others who were unable to be present, wrote offering their cooperation. And, as you know, your former chairman gave this meeting credit for stimulating much of his thinking which went into his war-on-hunger bill.

Before I go any further, let me emphasize that our name seems to give some the wrong impression.

While we firmly believe that the American farmer can play a leading role in this national effort to obtain and maintain peace, we must not overstress this facet of the many needed to reach the ultimate goal. Population control, in some form, is absolutely essential. And no one on this committee believes that American agriculture should try to feed the world. But, in the interim of helping developing nations solve their hunger problems, American agriculture can be a most useful tool in promoting self-help programs.

Everyone attending the conference was most conscious of the dollar drain on this Nation for its many efforts throughout the world—and, of course, particularly now with the Vietnamese war. However, the

question was asked over and over: "Why can't we send bushels and tons of foodstuffs overseas without hurting our dollar balance?"

If we can protect the American farmer, and if we can send food overseas without hurting the balance of payments, then it seems to some of us that we ought to take a real hard look at the alternatives, if we don't wage an all-out war on hunger.

One of the principal reasons why this Nation is such an outstanding producer of food is because of our land-grant colleges and collaborating county extension agents. True, we have teams of land-grant college experts around the globe now. But, in my opinion, we have only scratched the surface of this facet.

To those who say that we should have more help from other nations, we agree.

However, we are not alone and very substantial progress has been made. So much so that the prophets of gloom have already been proven wrong. It was my privilege to present a citation from our committee to the Philippine Republic and President Ferdinand Marcos through two Filipinos at our luncheon last Tuesday.

Philippine Under Secretary of Agriculture D. L. Umali and Andres de la Cruz, a Philippine farmer who has made a remarkable record, accepted the citation in behalf of President Marcos.

Under Secretary Umali told the dramatic story of this farmer who used the new miracle rice developed by the International Rice Research Institute, and financed jointly by the Ford and Rockefeller Foundations. His income went up from \$63 to \$725 per crop from 1.8 hectares of land—about 4.5 acres.

This is not just an isolated case history. As Dr. Umali said:

Except for a few years, the Philippines has, since 1910, imported billions of pesos worth of rice.

Then he reported that they would have a surplus of rice stocks of 475,000 metric tons by June 1968.

Here is a developing nation that has proved that they can be helped to help themselves. But listen again to his words:

Mr. de la Cruz's happy story might be said to have started one hot afternoon when an agricultural extension fieldman (one of 780 AID-financed technicians) paid him a visit.

He then went on to recount the de la Cruz story.

Again, I refer back to the many facets of the total problem. One of the key points in this success story was a good government climate, as well as a natural one. The Government had pegged the price at \$4 instead of \$3 per bag of 44 kilos of rice. All too frequently there is relatively little incentive in undeveloped nations for the farmers to make the effort to increase production. And then there are problems of credit, fertilizer, distribution, et cetera.

Our committee is very conscious of the need and wants to urge that a well-rounded program, including active participation of voluntary agencies, the agribusiness community, as well as those previously mentioned, is the only way we can be sure of attaining the ultimate goal of peace we are all seeking.

We firmly believe, by properly mobilizing our American ingenuity, personnel, and finances, we can help every nation attain the basic materials each human being needs to live in dignity. When that point

is reached, the hordes which are so susceptible to exploitation when hungry and starving will be more stable.

This may seem like a dream, at least many years off, but if we do not make a start, future generations may condemn us for quietly going our affluent way as nature's bomb—which could be more destructive than manmade atomic ones—goes ticking on.

It is the considered judgment of our committee that this Nation, whether it is joined by other nations or not—and parenthetically, we believe that they should be urged to share this burden—cannot afford not to make this effort.

We are now spending between \$3 billion and \$4 billion a month in Vietnam. Why shouldn't we make a similar peaceful effort? While I realize many will scoff at this proposal, if we think about it, there are many of us who not only can afford to but would pay sizable amounts if we thought we could rid the world of this terrible threat. And all the experts agree we could make real progress with only a fraction of what we are currently spending for munitions.

Mr. Chairman, the cost of government and its programs have been of great interest to me for many years. When I left my home in Greenfield, Mass., for an education at the University of Massachusetts, I doubt anyone could have been more conservative. I was frightfully scared of the large expenditures during the early 1930's and the staggering national debt.

Then we went into World War II. If all the dire predictions I had been brought up to believe were going to happen, because the early 1930's expenditures were true, it seemed to me we were surely headed for complete national bankruptcy.

But I am continually impressed with the fact that in spite of all the dire predictions that some have continued to make, this Nation is the most affluent on the face of the globe.

Our total gross national product today has crossed the \$800 billion mark and is rapidly heading for a trillion dollars a year. And today our per capita share of the national debt is \$1,642. This looks like and is, of course, a substantial figure. But we are making progress and are a lot better off today than we were 20 years ago.

When I left the U.S. Department of Agriculture and took my present position with the National Limestone Institute in 1946, the per capita share of the national debt was \$1,909. But the difference between the \$1,909 in 1946 and the \$1,642 is not the major reason why I said we are better off.

In 1946, our national debt was 129.4 percent of our gross national product. In 1967, the debt is only 41.6 percent of our GNP. While all of us should be concerned about our increasing national debt, it seems to me we should not let things get out of proportion. The greatest factor in our favor is our tremendous growth. Although we should be concerned about our debt, we should not, in my opinion, be so concerned that we lose our perspective.

NATIONAL DEBT COMPARED TO GROSS NATIONAL PRODUCT

	Gross national product (billions)	National debt (billions)	Per capita share of national debt	Percent national debt is of gross national product
1946.....	\$208	\$270	\$1,909	129.4
1967.....	799	327	1,642	41.6

While I certainly want to advocate a sound and cautious approach, I fail to see why our Nation cannot afford to spend .005 percent of its gross national product on what literally everyone says is the most serious problem facing the world. And that is all \$4 billion a year for Public Law 480 would be—.005 percent of the gross national product. Although solving the Vietnamese war has us all concerned and it seems to defy all solution, it will be solved—and in our lifetime. This problem of world hunger cannot be solved in our lifetime, but we must make a more concerted effort than we are now doing, if we are not going to betray the trust of our children and their children's children.

And, so, our committee would like to urge the Congress to extend the Food for Peace Act of 1966, without any restrictive amendments and with at least the same funds previously authorized. We also hope that the record at these hearings can be so unmistakably clear that the administration will take steps immediately to fully utilize the 1966 act.

The CHAIRMAN. Thank you, Mr. Koch. I want to commend you for recognizing what seems to me to be the very basic issue of all of our efforts to increase the agriculture production of the world over, that is, as you point out on page 9 of your statement, the fact that you must pay a price that will enable the farmer to pay for the use of modern techniques. He cannot produce the needed products otherwise. I am one who believes that with a price that will enable us in the United States and other countries to use modern techniques that are available, that we can feed this world and that we need not be so discouraged as some of us are at the present time.

Of course, I recognize that there must be some control over population. I think we all know that and realize that, but your presentation taken as a whole seems to me to be based upon what I think is a widespread misconception of the attitude of the Congress and the attitude of most people.

As I see it, you are of the impression that everyone who wants to make any changes in the existing program wants to destroy the program.

As I see it, your presentation is based on the assumption that a great many of us do not want to do anything about the needs of hungry people over the world, and I think that is a complete misconception. I think that practically everyone wants—certainly those on this committee—to help all of the world, but it has been our experience that there are differences of opinion as to what is most helpful and how we achieve that help, and there are those that honestly believe it is a mistake to send food to countries on the theory that when you do, you discourage them from making domestic changes that will tend to bring about providing food for the people for a long period of time. I do not happen to fall within that group, but I think that those people are as much entitled to their opinion as are others, and I do not think that they can be charged with saying that they do not want—that is, these people—to have other people enjoy better standards of living. They seriously question how to get that better standard of living for these people. I think that is the question before this committee: What is the best way of achieving these desirable results; not whether we want to achieve them or not, but what is the best way of achieving these desirable results, what is practical within the limits of our own

resources and what is practical within the limits of the understanding of the foreign people?

That is why we have raised the question: What can we do with this bill that would help the United States more in our foreign commitments, because there certainly are many of us who believe that if we do not reach that, we are going to reach a situation in which we cannot be of any help to anybody, either here or abroad?

So, we ask the question: How can we modify this bill so that we will more nearly achieve agreement?

And when we ask that question, we are not suggesting that we believe that we should not help anybody. We are asking how we can continue to do it.

I think it is a very pertinent question. I think it is one that we must answer here, rather than simply assuming that all who raise the questions are opposed to doing anything.

I do not mean to say that there is some specific item in your presentation, but it seems to me that the whole thrust of your presentation is that if we do not continue to do exactly what we have been doing that we are opposed to helping foreign people. I just want to make it clear that is not a fact, so far as this committee is concerned.

Mr. KOCH. I certainly could not agree with you more. If I gave the impression, I did not intend to do that. I was starting on the assumption that the committee passed an excellent bill last year; certainly, a lot of the people on the committee and of the Congress have done a real good job, in our opinion.

The only thing we were trying to do was to review the problem, and, certainly, I did point out that there are a great many people who do differ in how we should reach those goals.

I quite agree with you that all of them are in favor of the goals, but how to get there, how to arrive at them certainly is the question.

Certainly, we did not mean to be spelling out exactly all of the details of reaching that decision. That is a big job. We merely wanted to call attention to some of the basic problems. If I gave the impression that we were urging otherwise, I did not mean to do so.

The group that I represent, I am sure you know, is quite large in numbers, and you cannot have 10,000 people who will all agree.

When it comes to specifics, our committee would not know how to reflect exactly how everyone else feels.

I did not mean to come here to tell you the answers to some of the real tough questions you have raised. We did want, from the committee's standpoint, to spell out the general position that we have urged on the committee.

We certainly understand the real tough problems we face and the real tough decisions that have to be made.

But we do think that we must not move, on the other hand, in a way so as to be restricted too much. And when I say that, I certainly did not mean to imply that we are doing everything today under the present bill the way that it should be done. We are just as much aware that there are shortcomings as anyone else, and, as I know, those on the committee are aware of it.

So, if the thrust of my statement has been wrong from where you sit, I did not mean to convey that impression.

We do believe very strongly that there are people in this Nation who feel very strongly that we should continue with some sort of a program. We did not mean to spell out the exact number of dollars or the exact way in which it should be done. We did not mean to do that. I do not think that we could. There are differences within the committee.

The CHAIRMAN. Just what do you mean in your last paragraph where you urge the Congress to "extend the Food for Peace Act of 1966 without any restrictive amendments"?

Now, what do you mean by "restrictive amendments"?

Maybe we have a different idea of what we are talking about than you do when you are talking about restrictive amendments.

When we seek to maintain our balance of payments, is that a restrictive amendment?

Mr. KOCH. No, as I understand it, and I am sure you know—I am not an authority in all of these fields. Some would be definitely helpful with the balance-of-payments problem; others would be most difficult. It seems to us that some nations should use their dollars to help develop their own nations. Others could help us with the balance-of-payments problem. It seems to me, an over-restrictive amendment applying to all nations would be a mistake. It seems to me it could be worked out in a number of countries that could help us by returning dollars to us.

Here, again, I, personally, do not know how to suggest it to you. I tried to imply that we are aware of the problem. By restrictive amendments, we meant that we did not have any particular ones in mind in that regard. We were hopeful that the committee, in its judgment, in looking over all suggestions, would not come up with a program that was overall much more restrictive and that the amendments would be helpful to do a better job. We were not pointing our finger at any specific amendment.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. On page 10 of your statement, in the next to the last paragraph you state:

"We are now spending between \$3 and \$4 billion a month in Vietnam," and you indicate that probably there is a way out of the Vietnamese war. Do you mean that literally, that if we were to spend more money to feed more people and help those people to grow more rice, to grow more food products in that area, it would aid to bring our boys home?

Mr. KOCH. We did not mean that this would stop the Vietnamese war. We are of the general opinion that if this overall goal is approached we could prevent this type of thing in the future—not next year. This cannot stop the war going on now. I did not mean to imply that. We think that overall for the long haul, that we can definitely head off and help offset such a thing. We cannot stop the war over there in Vietnam, certainly not. I wish that we could but I do not think that we can.

Mr. GATHINGS. I think that is true. Probably we could be of assistance in aiding to prevent future wars.

Mr. KOCH. This is the thrust of our particular point.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Teague?

Mr. TEAGUE of California. No questions.

The CHAIRMAN. Mr. Abbitt?

Mr. ABBITT. No questions.

The CHAIRMAN. Mr. Goodling?

Mr. GOODLING. I want to call your attention to page 12 of your statement. Sometimes I get fed up to the ears hearing a comparison of national debt with the gross national product. I realize there is some connection between the two, but I want to point out that if you owe a bank \$1,000, regardless of assets, that bank will expect you to repay the \$1,000, and in reading the sentence here I notice you quoted the 1967 figures.

Just the other day in the House, we were told that our national debt as of yesterday was \$352 billion. And that is \$25 billion more than you express in this table.

Mr. KOCH. There is no question, sir, but that it is going up. There is no question about this at all. The only point is—and I agree with you—that we will have to pay it back no matter what the figure is. It seems to me or to us, no matter how big the debt—it is staggering—we should not lose sight of the fact that if the gross national product had not gone up, we would be in much worse shape, obviously.

And not to take a look at the gross national debt and all of the programs that we have introduced for ourselves and the world is a mistake, too. We are not saying that we have all of the money that the experts say that we need to get this problem solved. We only indicate that we should take them all into consideration, the total debt, the relationship of it to other facets in our economy, and other problems.

And we have other problems, of course, besides this one. And this is all we were attempting to point up, all of the facts, so that we will have them all together on the table when the hard decision has to be made.

We would like to see the national debt come down, certainly. On the other hand, if the percent of the national debt, which was around 129.4 percent, like it was in 1946, if it was that, we would be in much worse shape today than we are.

Mr. GOODLING. We were also told yesterday that if the Vietnamese war continues, the debt will reach \$365 billion, the limit, and we will again be asked to raise that ceiling. This concerns me.

I am sorry that I did not bring information with me that I have on my desk which I read just last week. I do not have it completely in mind, but it stated that there are tons and tons of food in warehouses which was never distributed. Who is responsible for that? I realize that you are not, but on the other hand you are to a certain extent.

Mr. KOCH. I am sure that you know that any program as big as this will have some mistakes in it. I certainly do not advocate anything like that. I do not think that we can prevent it, however. I have been in it over 10 years. I do not know how you can keep people from doing things wrong, and if you do not do anything, of course, nothing goes wrong then. It seems to me that we should make every effort possible, even though we know that some mistakes will be made.

Mr. O'NEAL. Will you yield?

Mr. GOODLING. Yes.

Mr. O'NEAL. Is it your idea that we can afford a big debt, because business is so good? Is that the way that you relate it?

Mr. KOCH. I do not think that there is any question that General Motors can afford a bigger debt than the local Chevrolet dealer out here. I think that the same is true of a nation.

Mr. O'NEAL. But if you cannot pay the debt when business is good, when can you pay it?

Mr. KOCH. That is a good question, too, of course, but I seriously say that I think that the debt can be overstated. I certainly do not say that we should not be concerned. We are just as concerned as we can be, and as you are, but I think that we must not use this figure to prevent us from doing a lot of things that need doing.

Mr. O'NEAL. Thank you.

That is all.

Mr. GOODLING. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. I have no questions at this time.

The CHAIRMAN. Mr. Miller, do you have any questions?

Mr. MILLER. Not at this time.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. When you talk about the gross national product, is it not a fact that the higher the living costs, the greater the gross national product?

In other words, the higher the debt and the higher the cost, the gross national product will always increase? It is a matter of common economics that when one goes up the other goes up?

Mr. KOCH. Unfortunately, I do not have the figures at the tip of my tongue, but I am confident that is true. We have inflation. But we are all better off than we were 20 years ago.

Mr. BURKE. That is the next question. We are better off in that way? I will not go into that, however.

Somehow or other, everything now is based on the gross national product, and as inflation increases up goes the gross national product—expenditures increase, the dollar will be worth some percentage point less than it was last year at the end of this year. So, I cannot quite follow your figures that we ought to continually add on more on top of the other—as a matter of basic finance.

Mr. KOCH. Well, I did not mean that. Some things will cost you a lot more. We are interested in highway construction, for example. We know that if you put these highways off, in 10 or 15 years it will cost us a lot more than if we do them today.

I think that this problem will cost a lot more if put off. Therefore, I do not want to draw the line. It seems to me that we must make some effort like we are building some highways now that maybe ought to be built tomorrow, but somewhere there is a line where we cannot afford not to do these things, even though it is adding to the national debt.

Mr. Poage just said that everyone does not agree on solving these problems. But I do believe sincerely that we must not, because we have a big national debt, pull back until we pay off on the debt. It is more important than reducing the national debt. Some people do not agree with this. This happens to be my personal view.

Mr. BURKE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. While not on the subject, I would like to try to put these things in perspective as we go along. I am not certain that I am thinking real clearly on this thing. It may have nothing to do with the subject matter we have before us here today, but is it not true that as we increase the gross national product—and I would agree with you entirely that certainly it increases along with inflation—that if you decrease the value of the dollar you use more dollars and, therefore, your gross national product shows up \$3 or \$4 more even though there might be no more actual production—but is it not also true that this debt in relation to the gross national product can be paid off with the same inflated dollars and therefore the relationship remains substantially the same between the gross national product and the debt?

Mr. BURKE. I would say that would be true, but the increase adds one on top of the other. I do not think that it follows that it should follow that way as a matter of commonsense; but I think that you are experienced enough to know it has continued and it does not change.

The CHAIRMAN. I think that is a good observation.

Mr. DOW. I would like to commend Mr. Koch very emphatically for his splendid statement. I would also like to relieve him a little bit of the heat that seems to be generating here; because I do not think that Public Law 480 should be held to account for the entire fiscal difficulty that faces our country here today. I feel that to take the whole burden of the national fiscal problem and focus it on this food-for-peace program is certainly an atrocious misplacement of emphasis.

I would like to point out, too, that Mr. Koch has put his finger on the very serious condition in the world; namely, the tragic situation of 2 billion people in the underdeveloped countries. I think that we ought to focus a little bit more on the very grievous error that was made in Vietnam, to attack these very people that Mr. Koch is trying to aid, to be sending one-half million of our best men there and spending \$30 billion a year in fighting these people that we say right here ought to be aided. When we compare those \$30 billion to fight them and bring down around our heads the world's criticism with the \$4 billion, the rather small figure that Mr. Koch is suggesting, to be spent in helping them, I must say, Mr. Chairman, that I disagree very much with the judgment that is operating in this country today, and I cannot help but say that here before the committee, and I would say it before anybody.

I must say, Mr. Koch, I think you should be congratulated and not questioned.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. I was not asking for any time.

The CHAIRMAN. Mr. Nichols?

Mr. NICHOLS. No questions.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

Referring to pages 2 and 3 of your testimony, the third paragraph on paragraph 2 where you state:

May I say that most of us were very much encouraged by the passage of the 1966 Act. With its relatively abundant funds—those authorized to be appropriated, plus those carried over—many of us expected quite substantial accomplishments.

Now, this is what I am referring to:

Frankly, we were quite disturbed at the effect on American agriculture.

Some of us did not realize that there were insufficient safeguards to adequately protect the American farmer from the serious price-depressing effect of permitting production called for to meet these war-on-hunger requirements to commingle in market channels with the regular commercial supplies.

I think there is no question that the American farmer was ready to help in this program. The administration and everybody said that we had millions to feed and that we should open the gates of production.

Of course, the American producer did not expect that he was expected to subsidize the world food needs as much as he was subsidizing the American food needs. And so we have driven off a million farmers since 1960, and the debt has doubled, and these farmers are in real dire circumstances.

What do you recommend?

You are a former Department of Agriculture employee. What do you recommend?

And over on the next page, you say that it should be borne by everybody equally, not just by the American agriculture.

I want your suggestions in this area.

Mr. KOCH. We feel very strongly on this point. We thought that with all of the money that the 1966 act provided—and I am sure that Mr. Freeman also thought at the time he asked the farmers for increased production—that the additional production would be taken off the market. But it did not happen this way. I did not want to point the finger at anyone. I have my own opinion of what happened. I am not sure I am right. The farmers were asked to increase their production, which they did; and then, when we got ready to move it overseas there was a vacuum. I was personally unaware that they could not take it off the market until it actually happened. I had the idea that Agriculture would take it and ship it overseas. I did not realize that Agriculture could not do it, unless we had firm commitments.

Then, I thought that we could take it off the market and store it. I guess I should have known better, but I did not.

I think that Congress should pass some sort of legislation to enable the Government to take these surplus off the market and not get into this kind of a position again. And this should be done in the legislation before this committee.

As I understand it now, if we had some sort of a reserve program here, whereby the extra surplus could be removed from the market and not depress the market and that it should not be used to depress the prices, it would be there against some future emergency. This would help. And before we go to the farmers again we should definitely provide for this legislation.

It seems to me that those of us—maybe I should say that you in the Congress should know how to deal with this: I think it can be worded in such a way that they cannot do to the farmer what happened, when we ask him to do this again. I, for one, would not go to the farmers again without in some way insuring them. There should be some mechanics whereby the extra food that the farmers grow can be taken off the market at a price that will not depress the market.

First, we were completely unprepared for what happened, particularly as to the money. Normally, you have to get some kind of legislation passed—then go back and get an appropriation.

This is one of the cleanest acts we have whereby we get the money at the time that the legislation is passed, so that there is no confusion that happens occasionally with other legislation.

I thought that we were all set, personally, when the 1966 act was passed. I did not see how the farmers could be hurt. Unfortunately, I was wrong. This is the thrust of our statement. We feel very strongly that any efforts made, whether we spent one-half billion or \$10 billion, that the American taxpayer ought to pick up the bill, not the American farmer.

Mr. ZWACH. That is all. Thank you.

The CHAIRMAN. Mr. Rarick?

Mr. RARICK. I am amazed when I hear people refer to these subjects. By specific definition, what is an emerging nation?

Mr. KOCH. I am sorry that I cannot do that. I assume that there is some definition. I can provide it for the record, if necessary.

I do not, personally, know whether the people who work in this field have a definition or not. I assume that they do.

Mr. RARICK. I would assume that if we were planning on helping India again, apparently we would think that India would be an emerging nation?

Mr. KOCH. I certainly would think so.

Mr. RARICK. When their military budget is about the second highest expenditure?

Then, we go to Africa, and could we say that Zambia would be an emerging nation, containing one of the world's greatest copper mine fields? And Nigeria, is that an emerging nation? They have just had a revolution. I think they estimate 150,000 tribesmen were massacred there.

And I think also, in looking back, that the United States in 1964 and 1965 communicated to Ho Chi Minh, before we brought in troops to halt his aggressive fight to control South Vietnam, that the American taxpayers would hand him a substantial subsidy to help him grow food instead of war, and his answer was negative that we were trying to blackmail his people.

I just wonder what this expression of "emerging nations" really comes to.

In your statement, you mentioned people of yellow skin.

Certainly, we are not thinking of helping the Chinese on the mainland, are we?

Mr. KOCH. Our policy, as both you and I know, has all kinds of considerations. I cannot tell this committee how the line should be drawn.

Mr. RARICK. Yet you mention in your last paragraph "restrictive amendments."

You are saying, then, that we should not amend this bill to make sure that none of our food for peace goes to any country that is Communist-controlled, or that is militarily aggressive to our American forces?

Mr. KOCH. We did not mean that. As I explained a little while ago, as to how we describe restrictive amendments: We were hoping to lay all the facts in front of your committee, and we know that you people would do the best job it is possible to do.

This yellow-skin point that you make is as to the total people around the world. We have never said just how it should be done. We were pointing out what the problem was, the scope of it, and, as far as exactly how it should be done, as I said a moment ago, I do not know whether you were here or not at that point, but certainly our committee of 10,000 would be shattered very quickly if we tried to arrive at specific points of operation. Our only point is to try to tell you that of the 10,000 people, more particularly the 700 who met here last Tuesday in Washington, that they feel very strongly about some of these general problems. I realize that general discussions do not help as to specifics. If you want us to be specific, I am sure that we could not do it. There would be differences of opinion—some of our people think, for example, that there should be only population control, and others think we should not engage in efforts to furnish food.

Mr. RARICK. As to this question of an emerging nation, could that be those that we are politically involved with, or a nation that has a certain income standard, or what criteria?

Mr. KOCH. I cannot say.

Mr. RARICK. You cannot define the term "emerging nation?"

Mr. KOCH. Yes.

Mr. RARICK. Would Rhodesia qualify as an emerging nation?

Mr. KOCH. As I say, we have not gone into that in this committee. I have some personal views. I can state my personal views.

Our overall committee has not come to grips with this particular problem. We have the so-called specialists in Government who can do that.

Mr. RARICK. I presume that the statement on the last page relating to the gross national product more thoroughly represents the industrial advancement rather than the farm community of the nation. Some of the comments made by my colleagues on the committee do not show any such increase in the income of the farmer. Could that be correct?

Mr. KOCH. This is the production of the entire nation.

Mr. RARICK. What I am referring to is under the per capita share of the entire debt, one-third of our population does not produce and since the agriculture community is not getting what they feel is a fair share, so therefore, if there is an increase in the gross national product, it must be through the industrial advancement.

Mr. KOCH. We feel very strongly—and when I say "we," a great many of us—that if this Nation could produce it would help to solve a real problem here, to help the rest of the world, based on Public Law 480, and if we could arrive at a national policy of spending \$4 billion-plus a year, through American agriculture, that is, most of it through American agriculture, and if we could get the safeguards that have been talked about, we think it would be the greatest thing that has happened to our country for two reasons: (1) that American agriculture would be helped with the problem it now has; and (2) it would flow through all of the economy at the same time. We think it would be better for the Nation if we could plow back \$4 or \$5 billion into our economy, and we would be a lot better off and ahead than by putting that much through munitions. We think that American agriculture should be handled properly, and if we can get the safeguards we were talking about a minute ago, I think American agriculture could be

helped better than in any program we have had. I have had a good deal of experience in agriculture.

Mr. RARICK. You indicate that the bill has had contrary effects in the past.

Mr. KOCH. I do not think that is correct. We have done it the way we are talking about now. You have got to have some safeguards. One of the big safeguards we did not have, and unless we have it you cannot do it properly. If you get a surplus, this committee knows all too well what happens. The prices go to pieces. If we can find some way to protect the American farmer and then pour \$4 billion more into agriculture for this type of program, it seems to me that we could help the American farmer better than in any other program that we could devise.

Mr. RARICK. I think that most of us here want to do that. We are waiting to hear a solution. In addition to feeding the world, we want to also feed our own people in this country. If we do not do something we will destroy our own farm economy—the farms are becoming larger and it is harder to keep the youngsters down on the farms. They all want to go to town and work off a time clock or have a guaranteed annual income, something no farmer can have. Someone will have to raise the food.

That is all I have, Mr. Chairman. Thank you.

The CHAIRMAN. The Chair wants to make one statement. I will try to go around to everybody who is here. I am going to recognize the rest of you who came in late, if you want to be recognized, but I am not going to go around again, because we have spent an hour on this witness and we really should pass on to the next witness.

I will recognize Mr. Hansen now.

Mr. HANSEN. Thank you, Mr. Chairman.

I think that you have an ambitious program. I certainly want to commend you for your optimism and hope for the future. I think that all of us would like to share in this type of thing, because we would like to hope that we could use our vast resources and so forth to help the rest of the world and secure a more stable climate and get ourselves in the position so that we could maybe have some hopes for peace.

I would just like to go through two or three points in your statement that I think are a bit misleading as they are. When you get into the game of playing with figures, you can make them mean anything that you want them to mean, as you well know.

You said something to the effect, on page 11, about the large expenditures during the early 1930's and the staggering national debt. I am sure at the time it looked very large, but by relationship with today's that would probably look rather small. It has been easy for some to say that it did not hurt us then under the circumstances with the gross national product and that our debt now will not hurt us.

And I would like to point that in your next paragraph you say:

Then we went into World War II. If all the dire predictions I had been brought up to believe were going to happen because the early '30s' expenditures were true, it seemed to me we were surely headed for complete national bankruptcy.

And then you go on to say further down that we are doing better now, and you point out comparative figures. I think it is well for you not to overlook such things as the fact that we have a very bad infla-

tionary problem now, that the balance of payments in trade is not favorable—that it is less favorable than it has been for some time.

I am not sure that we can paint such a rosy picture.

Further down, you say: "But we are making progress and are a lot better off today than we were 20 years ago."

You talk about the fact that per capita we only owe \$1,642 as compared to some 20 years ago, 1946, when it was more.

There are other things that we have to take into account. Yours are not absolute figures. We have had a big baby crop since 1942. We have a large crop of youths and we have more old people than we ever had. And these people are not figured in. They are not all production people.

Again, figures can be very misleading.

You point out that in 1946 our national debt was 129.4 percent of our gross national product and that it is now only 41.6 percent of our gross national product.

I would like to point out that so far as this is concerned, you have not taken into account our inflationary condition. The dollars that we are in debt are firm dollars, except for the interest that accrues on them, but our gross national product dollars are changeable. You can have a higher gross national product this year than you had last year without any increase in production. Is this not true?

Mr. KOCH. This is possible.

Mr. HANSEN. So, I think you have to be very careful when you go into this sort of analysis, because you can paint the picture one way and someone can come right back and paint it another way.

The thing we can't ignore is that we are in debt some \$350 billion right now, without counting all of the State and other debts. When you are in debt for this much money, you are vulnerable to some sort of a collapse in the economy when something unforeseen arises, which has happened periodically all through history. Our debt is some \$350 billion now, compared to only \$50 to \$100 billion in the early forties. It does not matter if you are a rich or a poor man, when you are bankrupt, your debts are held against you. The more you owe, the worse your problem. It is fine for us to have a rosy perspective and to say that we are a great Nation and we have tremendous potential, but let us be very careful in what we attempt to take on. Let's not be so quick to say that we can take on the rest of the world like Atlas did on his shoulders and do it without any problem. It takes more than just a simple manipulation of figures to consider such an undertaking.

I hope that we can do our share to help other nations get on their feet, but I do not want anyone to get the idea that we do not have serious problems of our own. We owe more money than all of the rest of the nations put together and this is a pretty serious matter.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Hansen.

Does anyone else want to question this witness?

Mr. Miller?

Mr. MILLER. If I may, Mr. Chairman. We have on the front of a booklet passed out by the Committee on the World Food Crisis, Inc., a picture of a child holding up its hand, assuming that the child is hungry, and then we see on the back page of the same booklet a list of companies that are sponsoring the booklet for the war on hunger. It makes me wonder sometimes about the true thinking that some have

about food for peace, war on hunger, and the concern for our farm program that is not up to what we would like to see it. We would like to see the farmer doing better.

When we are talking about this type of thing, as I see it—and correct me if I am wrong—that in some way some should profit from the bill that would be approved. Am I correct in that?

Mr. KOCH. I certainly have a direct interest in this program. In some instances it is very, very indirect. I was amazed at the number of people who are interested. I, personally, am concerned. The National Limestone Institute is not particularly. The Bank of America of California, of course, I suppose they have some interest. I do not see any direct connection. We have a few others that, theoretically, if this really works, would be helped—I suppose that the machinery companies may sell more machinery overseas, and things like that.

Mr. MILLER. How about the chemical companies?

Mr. KOCH. They are interested. There is no question as to some of these, that they are directly interested. I did not mean to say that they were not. If you go down through the list of our directors you will find that every segment of the economy, the labor unions, the church groups are in this—every group that you can think of. The churches have been very active in this. We could name thousands of people like these who really believe that they would like to help on this problem. These people are listed on the back, and, by the way, merely sponsored this particular conference that was held a week ago. It is true that some of them would have a direct interest, no question about that, but a lot of the people associated under this big umbrella have no monetary interest at all as individuals, and they are anxious to do their part.

Mr. MILLER. My concern is that we do have a true concern for those who are hungry and that we do have a true concern for our farmers today who are caught in this pinch, but it seems that this type of thing reflects back on the farmers.

Mr. KOCH. You mean this type of effort?

Mr. MILLER. The type of effort sponsored by people who may have some advantage for their business by sponsoring such a program.

Mr. KOCH. That is possible, I guess. Some of these sponsors listed here were not sponsors before this conference. They advanced \$250 to put on this conference that was held, and yet some of them did not even attend. Maybe we should not have taken their money.

Mr. MILLER. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. If there are no further questions of Mr. Koch, we are very much obliged to you, Mr. Koch.

These questions do not necessarily mean that the members are critical of your interest in this matter, but they simply indicate that there are differences of opinion as to how this should be handled. We are glad to have had your views.

Mr. KOCH. Thank you.

The CHAIRMAN. Now, I believe that Mr. Reuben L. Johnson, director of legislative services, National Farmers Union, has a presentation to make.

We are glad to have you here, Mr. Johnson.

The committee is not opposed to trying to be helpful, but we are primarily attempting to achieve a practical way of being helpful. I think that it is somewhat repetitious to simply suggest that we want

to help people from starving. We do, but we want to know how best to do that.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION, WASHINGTON, D.C.

Mr. JOHNSON. Mr. Chairman, we are here to share with you our comments.

I am Reuben L. Johnson, director of legislative services, National Farmers Union, 1012 14th Street NW., Washington, D.C.

Mr. Chairman and members of the House Agriculture Committee, at the outset of our statement I would like to spell out precisely and as briefly as possible recommendations of Farmers Union in regard to the extension of the Public Law 480 program which President Johnson referred to in his farm message on February 27 as the food-for-freedom program.

1. We support the President's request of Congress to continue the food-for-freedom program for 3 more years—to December 13, 1971. The President properly emphasized the great contribution that our food-aid program has made in the war against hunger.

2. Farm producers of food and fiber must have the safeguard of an adequate price structure supported by Government where necessary so that farm families who continue to find themselves economically disadvantaged as compared to other sectors of the economy will not be called upon to subsidize foreign policy objectives of our Nation—objectives which are equally important to every citizen.

3. Our food and fiber should be used under Public Law 480 as an instrument of foreign policy. We should place emphasis on using food in ways that make a lasting contribution to the ability of needy nations to feed their own population.

4. The cost of carrying out this program should be charged to the agency which has the responsibility for foreign policy.

It does not mean that it should administer all of the programs. It should be charged to the agency or agencies that have the responsibility of conducting our affairs with other nations.

5. We urge greater use of long-term, low-interest rate loans authorized under title IV of the act.

And, Mr. Poage, every time I see or hear mention of title IV I am very conscious of your personal role in the addition of title IV to Public Law 480.

6. We should continue where possible to administer the program in ways which will contribute to the development of commercial markets for farm commodities produced in the United States.

7. There is an urgent need to increase the funds available to pay for food and fiber aid. We further ask that the administrators of economic development programs work to better coordinate food and fiber aid with other economic assistance.

8. We support—in the whole context of this food-aid effort—the establishment of a national food bank as called for by President Johnson in his farm message yesterday to create a strategic national reserve of wheat, feed grains, soybeans, and other commodities.

Let me stress again, Mr. Chairman, our concern that no action be taken that will in any way weaken our farm programs. It should be

economic demand, not the need for food that farmers should be asked to respond to.

Farmers have a moral concern for the hungry wherever they may be but compassion is not a substitute for fair and adequate prices and income for the portion of their production which goes to feed hungry people under the provisions and terms of Public Law 480. Farmers simply have to be paid for this production as industry is paid for production utilized under other economic assistance programs of the Nation. No one expects manufacturers or factory workers to shoulder the cost, or any portion of the cost of goods and services related to our non-farm economic assistance; nor should farmers be expected to do so.

In a recent address our national president, Tony T. Dechant, commented on the question of what the world food problem means to the farmer. He made some rather sharp comments that I would like to quote. The comments were made in October 1967 at the Midwest Farmers in a Hungry World symposium at Sioux City, Iowa.

I quote:

Agriculture gains every year in terms of farm commodity exports and use of food in international programs. Yet farmers still are forced to settle for income levels that lag far behind other sectors of our fast-moving economy.

I want to briefly explore some reasons why this is so . . . and review the record of who is making the money now in the agricultural sector.

I think it's appropriate, first, to focus on the big commodity processors who make money on a per-bushel or per-ton basis, and clearly have a vested interest in more farm production and low farm prices.

Where are they when farmers need help on policies proposed to raise farm prices and income? I think you know the answer.

Their lobbyists are in Washington right now pressing for a bigger feed grains program. (That was in October of last year, may I point out?) They just finished applying the heat to the Administration to get a big increase in cotton production.

And last summer they pushed hard for a bigger wheat allotment.

. . . The Department of Agriculture's recent field hearings show overwhelming farmer sentiment for substantial cuts (wheat and feed grains programs). I think farmers were trying to tell us something.

The conclusion to be drawn is that the world food problem, for processors at least, means bigger profits.

I'm concerned, too, over all the farm magazine ads urging farmers to buy high-priced tractors and new chemical sprayers and expensive fertilizer applicators so they can join in the war on hunger. Machinery is bigger, it costs more, and farmers are constantly pressured to buy it.

Yet with farm machinery prices up 5 percent this year and estimated farm income down 10 per cent, due in part to overproduction, it does not take much figuring to draw the conclusion that the world food problem, for farm machinery companies, too, means bigger profits.

Then there's the grain trade, and the transportation industry, and others that make money on the basis of volume with little regard to price levels. They, too, want more production.

The conclusion to be drawn from this is that the growing world food problem also means bigger profits for those who store and handle and ship farm commodities.

And, finally, the food chains that retail the food consumed by our growing population also prefer an abundance policy. Low farm prices, more than anything else, has enabled this area of agribusiness to greatly increase its share of this country's \$95 billion food bill while the share left for farmers has declined to less than 40 cents on the dollar.

Research reported by Cornell this week shows food chains this year probably will net just under 11 per cent on their investment. That profit figure, which would be fantastic for a midwest farmer, was termed alarmingly low by a complaining food industry spokesman.

I have reviewed the role of agribusiness in this way for one purpose—to point up the desperate need for a way to count farmers in on their fair share of the world food program. Farmers need a fair share of the profit made from our

growing export volume, expansion of Government food programs at home and abroad, and the rising volume of food consumed in our own country.

Companies that deal with farm commodities, as this review shows, aren't going to help raise farm prices and income. The over-production that breaks the farmer is the abundance that makes money for agribusiness.

I would urge, therefore, that we have more research in farm bargaining, on how to strengthen farm co-ops and expand into new fields, on developing new sources on long-term credit, on farm size efficiency, on the movement of conglomerate non-farm corporations into farming, on marketing orders and quotas, on livestock and poultry marketing, and on market reporting.

Farmers, as the last major unorganized sector of our economy, need and deserve help in improving their incomes and financial position. I hope the land grant institutions will take the lead in these areas. They would certainly have the enthusiastic support of farmers, most farm organizations . . . and, most important, the statesmen who direct the important war on hunger.

I would like, with your permission, Mr. Chairman, to insert in the hearings the full text of the address from which I have just quoted.

The CHAIRMAN. How long is that?

Mr. JOHNSON. It is not very long. It is about maybe a third longer than I have just read. I just thought that I would not put all of it in at this point, reading it.

The CHAIRMAN. We do not mind that, but it might be 15 pages?

Mr. JOHNSON. It is not that long. It is about eight pages. I just picked out a few parts of it. I think some people might be interested in seeing some of the other remarks that our President made. I think he rather accurately spelled out the dilemma that the farmers face.

The CHAIRMAN. I think I must ask the committee on that. I have raised that point too many times here, that we are not going to insert into the record these inserts that cost about \$200 or \$300 a page unless there is some purpose. We are perfectly willing to let you complete any statement or anything of that kind to be in this record.

Mr. JOHNSON. I have quoted from it and have made a few points from it. I withdraw the request.

Wheat and feed grain producers are disappointed by the sharp drop in prices in 1967 from those of a year ago. Unfortunately 1967 grain production in the United States coincided with a near record world wheat crop and record corn crops in competitive export nations. The season average price for wheat will be about \$1.40 per bushel—some 15 cents over the loan, but about 20 cents below last year's season average price. The corn price will average around \$1.07 per bushel—about 17 cents below last year's price.

There is every indication that so-called agribusiness interests understand, as farmers themselves do, that American agriculture has great capacity to produce far more than it does now. For most of the past decade there have been more than 50 million acres withheld from production through various programs. This is about one-fifth of the total acreage harvested in 1967 and about one-third of the grain acreage harvested that year. Some of the 50 million acres was quickly returned to production in 1967 when it was thought that additional quantity of both wheat and feed grains would be needed. History recorded the results of what too much production of wheat and feed grains will do to price and income, and farmers are responding to their lesson in economics by signing up in greater numbers this year in these commodity programs.

A recent Department of Agriculture study indicates that the United States will continue to have excess agricultural capacity through and

beyond 1980. We simply have to project intelligently food and fiber needs for domestic use, for commercial export markets, as well as for use under the food for freedom program. These projections must be accompanied by farm program safeguards—especially as related to budget for commodity programs and for the food for freedom programs—to secure parity prices for all farm production. Farmers should not be expected to continue to subsidize economic assistance programs of our Government as they are doing today.

The CHAIRMAN. Thank you, Mr. Johnson. We appreciate your statement.

I am going around in the reverse order this time, and I will start with Mr. Myers.

Mr. MYERS. No questions.

The CHAIRMAN. Mr. Rarick?

Mr. RARICK. No questions.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. I would just like to commend Mr. Johnson for really pointing up what the problem of opening the gates too wide in production is, without economic demand and ability to pay our farmers. I want to commend him for this presentation.

Mr. JOHNSON. Thank you very much.

The CHAIRMAN. Mr. Brasco?

Mr. BRASCO. No questions at this time.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. No questions.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. No questions.

The CHAIRMAN. Mr. Burke?

Mr. BURKE. No questions.

The CHAIRMAN. Mr. Dow?

Mr. DOW. No questions, Mr. Chairman.

I merely want to commend Mr. Johnson on a very good statement.

Mr. JOHNSON. Thank you.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. Yes, Mr. Chairman, if I may.

I was interested in some of the remarks that were made concerning the last witness where we were talking about fertilizer and chemical people, the handlers, and the bankers concerned with this program.

Is it your idea, also, because of the concern of these people that it is quite apparent that there is a profit derived from such a bill?

Mr. JOHNSON. I would respond to your question in this way: We are not against the profit, we would just like to join the fertilizer and the chemical people and the farm machinery manufacturers in making a profit ourselves. I am not here to talk about anyone's motives or to impugn their motives about this program. I was, frankly, quite impressed by Mr. Koch's statement somewhat along these lines, of the statement that I made about the needs of the distressed farmers. I do not think that it takes very much insight to see that all of us in the food production industry, including agribusiness, would profit from selling more of our commodities, if they would make a profit. I just want to make it clear that we would like to join those who are making the profit. And I think that we can. I think there are some things that can

be done. For example, I mentioned here the food reserves—the food and fiber reserves.

Several organizations got together and met in Washington about a month ago. We put together the best parts of your bill, Mr. Zwach and Mr. Kleppe's bill, with a bill that Congressman Purcell offered, and we came to an agreement. We have the best features of those. The President embraced this compromised bill in his message yesterday. I was very grateful to see that, Congressman Purcell. I believe that if we had the authority for the Commodity Credit Corporation to go out and buy the reserves and then put it into this noncommercial use such as this program constitutes and provides for, that we could keep a balance here in supply in terms of demand and that we could keep this from being a depressant on the prices that it obviously has been this year, this past year, this marketing season.

Mr. MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Jones?

Mr. JONES of North Carolina. No questions.

The CHAIRMAN. Mr. Vigorito?

Mr. VIGORITO. No, thank you.

The CHAIRMAN. Mr. Wampler?

Mr. WAMPLER. I want to commend you on a very good statement, Mr. Johnson. I was particularly happy to see that you noted that greater use should be made of the farm loans authorized under title IV of the act. I quite agree with you.

I further agree that our Government should use Public Law 480 more effectively in the future than we have in the past. In the last session of Congress, I voted for the wheat for India bill, but I voted against the foreign aid bill. It seems to me that we are very inconsistent in our actions in foreign aid. I hope that we can use the abundance that we have in this Nation, use the agriculture abundance and try to use some commonsense in this problem.

I am sure, as you stated here, that Public Law 480 would be very helpful in this direction.

Mr. JOHNSON. I am very much encouraged that President Johnson last year in his comments gave direction to this program in terms of making it operate in such a way that we can increase the consumption of food that we have. It was very helpful. I think that there are ways that we can use our food. I think there has been some progress made; I think that we need some more.

Mr. ZWACH. I appreciate your statement.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. Mr. Johnson, I want to comment, and not present a question. I do want to say that I think you have made a good statement here and that you recognize some of the problems. I would like to emphasize what I think you said in response to questions put to you. It seems to me if we are going to really expect our free enterprise system to work the way that we all say that we want it to work, we must not frown on those involved in this or any other kind of legitimate business for trying to make a profit.

I would just like to reemphasize that I think all of us sometimes fail to be aware of what the problems really are. We want the farmers to get into the mainstream of the regular commerce of our country and to be able to share, not unreasonably, but adequately, as the other segments of our economy do. This, whether it is the producer in agribusiness or those in industrial endeavors who are not directly related to agriculture. It seems to me that we must constantly strive to do a better job on informing the other segments of our economy what our problems are and its needs. When we do that, we must point our efforts at the production side of the farm area and then we can probably get a lot more support from those not directly related to agriculture than we do from each other. As long as we continue to disagree so violently on the methods to be used to arrive at this, I think that we will continue to have difficulty and that the consumer will not understand what we are saying.

Mr. JOHNSON. I agree fully with that. I have already been pleased to find that the chairman of this committee and the leadership of the House have seen fit to provide for a consumer representative. Mr. Brasco is that member of the committee who looks after the consumers' interests this year.

Mr. PURCELL. And Mr. Dow.

Mr. JOHNSON. And Mr. Dow, too. We may have another one.

Mr. PURCELL. I want to go on record as saying that they appear to be just a little wooly. [Laughter.]

Mr. JOHNSON. Well, I was talking to a representative of organized labor recently, Mr. Biemiller, and I asked him: "Do you not think that this reserve bill is just as good for the consumer as it is for the farmer?"

And he agreed with me. I think maybe it would be real helpful when the Senate gets some kind of a bill over there that looks like it might be acceptable here in the House, if we could get some of our friends, our city friends, to introduce it. I believe that the consumers are concerned about having enough food, and I would hope that we would have some recognition of this reserve bill somehow.

I might say, Mr. Purcell, that I suppose that we in the Farmers Union throughout the years have probably made more effort to communicate with the city members of Congress than any other farm organization. We work at it. We have people by the busloads come to town, and they are here now. I expect some of these city members may get tired of seeing these farmers. We think it is good for the city Congressmen to have a farmer in his office once in a while. This fellow is out there making a living. We think it is good just to see him, which is something that most city Congressmen would not see if the farmer did not make an effort to visit them.

I would say that we have a great deal in common with the consumer representatives, we, in agriculture. We need to build onto that relationship in terms of common objectives.

Mr. PURCELL. Thank you.

That is all.

Mr. JOHNSON. I appreciate you giving me the chance to make this speech, Mr. Purcell.

The CHAIRMAN. Mrs. May?

Mrs. MAY. Following up what Mr. Purcell said:

Do you not agree, Mr. Johnson, that everybody is a consumer?

Mr. JOHNSON. Of course.

Mrs. MAY. I wanted to point out that Mr. Dow considers himself to be a consumer representative. I think that everyone of us on this committee represents consumers in our districts.

Mr. JOHNSON. Certainly you do, and we say that the farmers are the biggest consumers.

Mrs. MAY. Some members tend to differentiate.

Mr. JOHNSON. We are consumers of a lot of the goods that are made in the towns by the people in those towns.

Mrs. MAY. The point which you and Mr. Purcell were talking about there, I think you have put the problem in very good perspective in quotes from your president's speech. He has done an excellent job, particularly where he said that overproduction breaks the farmer in agriculture. We can assume that agribusiness does not remain in business without the farmer anymore than the farmer remains in business without agribusiness.

Are you aware of any attempt by any organization to hold any public dialog between agribusiness and those who represent the producers, the farmers, over the mutual stake they have in achieving their mutual goals? That we must have for the farmers a fair return for the amount of effort and money they put into their business so that they can continue to produce food, not only for domestic consumers, but for the people of other countries who need help?

Mr. JOHNSON. You say, am I aware of any efforts being made? Yes, I am aware of efforts being made.

And Mrs. May, as a representative of the producers, I become somewhat exercised at times over seeing so many agribusiness people in the corridors at the Department of Agriculture. In fact, in one consultation meeting with wheat exporters and processors, I suggested to one of the officials of the Department that these agribusiness people ought to spend more time over at the chamber of commerce and let us farmers run our own Department without their interference. I did not meet with very much success in the carrying out of the suggestion in that comment.

I note that the Secretary recently spent considerable time with the grain exporters and others in the grain trade, the board trade, people trying to convince them that the international grain arrangement would be good for them. I think it would be good for them.

After they left the Department, they met downtown and they decided it would not be good for them.

I recognize that this committee and this House of Representatives do not have to act on the international grain arrangement. We have to get two-thirds of the Senate if we are going to continue what, in effect, has been an international wheat agreement approach which we think is an extension of our domestic program. It is good for the farmers. Everyone agrees on that. And the Secretary made an effort—and I must commend him for it—to try to get the support of this agribusiness group, if you please, and he did not get it. I do not know why we have to constantly try to work with agribusiness, to tie it into this, but we do have the problem. And I, frankly, think that if agribusiness, for selfish reasons, decided that the farmers had to be counted in or they would not make it, you would get a plus there. Let them

be a little bit more humane toward our interests than they are—agribusiness, that is.

Mrs. MAY. So that in the long run, it is not a matter of why they come to church so long as they come to church.

Mr. JOHNSON. I am not sure I said it just that way. You made that point.

Mrs. MAY. I just wanted to comment that it is just as good business judgment for agriculture and agribusiness to get together on this as it is for Government officials to think about it at the top policy level. I'm anxious for them to sit down together to talk about these mutual interests and problems.

Mr. JOHNSON. One piece of advice I would like to give them in such a meeting—and, in fact, I guess they will get it today, if they read this record. I would like to advise them to stay out of the productive side of agriculture. We think we have a pretty good system in keeping farm families employed on the farms. We think this is a most efficient way and the best structural way to produce our food in a social sense, and we regret to see a lot of outside people coming into the productive side of agriculture. We would like to keep on that side and let them do the processing. Let us start to promote the building of the family farm system which we do to a certain extent, and have done.

And as to corporations that are going into agriculture for tax reasons, in some instances, and, also, in some instances as means of getting greater markets by lining up the food production, processing, and distribution, all into a vertically integrated type of system which we do not believe in—

Mrs. MAY. As you know, agribusiness in that area is probably going to continue to broaden holdings. But certainly I do believe they should accept the responsibility that goes with this development. If this trend continues in rural areas, what is there to cushion impact in loss of taxes, and the building of grower-producer relations, and so forth?

Mr. JOHNSON. Again I go back. I think that there should be top-level discussions between the farmers and agribusiness who should sit down together where they can meet the other and each take their share of the responsibilities to keep one another in business in this country.

The CHAIRMAN. Mr. Abernethy?

Mr. ABERNETHY. Mr. Johnson, the subject before the committee is the continuation of Public Law 480. And to my judgment there has been no recommendation of any changes in the structure of the legislative act or the processes by which the act will be administered.

What is the position of the Farmers Union now?

Mr. JOHNSON. You mean on changes in the act?

Mr. ABERNETHY. Whether we should continue the act as it is, or not.

Mr. JOHNSON. We are for continuing it.

Mr. ABERNETHY. For continuing it?

Mr. JOHNSON. Yes, of course.

Mr. ABERNETHY. All right. Could there be worked into the subject matter before the committee; that is, the continuation of the act, the very acceptable and ideal proposals that the gentleman has made?

I do not disagree with what you suggested here this morning. I do not think that anyone on the committee does. How do we get that worked into Public Law 480?

Mr. JOHNSON. What specifically are you referring to?

Mr. ABERNETHY. Increased farm income, for instance.

Mr. JOHNSON. I think that the reserve proposal that we have been working on over in the Senate would be one of the additions that would make this act work better and would help. In other words, to maintain a balance, a better balance between supply and utilization.

Mr. ABERNETHY. You are speaking of food and grain reserves?

Mr. JOHNSON. Yes, sir. I think that the Commodity Credit Corporation now can acquire these commodities only through the regular loan channels. The price-support loan programs. As you are aware, under this reserve proposal—and it is in Congressman Purcell's bill—the Commodity Credit Corporation would have the authority to actually purchase it.

Mr. PURCELL. But they would only purchase it at what they are now purchasing it for. You will find that they are getting that—that is, for what they are producing now. Would it not up the prices for the reserve share?

Mr. JOHNSON. I think that if we close that gap on excess production and get the supply down nearer to what the utilization is and keep that in constant balance through the whole year, that we would see the market prices go up.

Mr. ABERNETHY. Do you mean a cutback on the production?

Mr. JOHNSON. To keep out any excess supply that may affect the market price. I gave the figures over here. The wheat price this year as compared to last year, for the season, averaged 20 cents lower. I figure that this is 20 cents per bushel that the farmer might be subsidizing the food for freedom program, because we produced that in response to what we thought the needs were, and what everybody else thought the needs would be, and we got a depressed market price in wheat of 20 cents a bushel, and that, in my opinion, is right out of the farmer's hide. He grew the food. He was penalized because he grew it. If we could pull that out and had moved it over here and channeled it into the food for freedom program eventually, and other noncommercial markets, fine.

Mr. ABERNETHY. How would you insulate it so long as it is in existence?

Mr. JOHNSON. If it is not available through the regular market channels, the regular pipeline, in effect, it is insulated. I agree with you that its just being there might be something. We have the protection in this bill—the several organizations that I mentioned agreed upon not taking that out. It has got to come out in response to a price of 75 percent in the case of wheat and also it would have to have some kind of unnatural condition, a military act or some other act and a need before you can pull those stocks out and use them.

Mr. ABERNETHY. You mentioned the food reserve as a means of arriving at the objective of an increase in farm income from agriculture. Bear in mind we are still considering just how it might be of help in reference to this proposed reserve.

What other proposal do you have to do with this?

Mr. JOHNSON. We have advocated an export certificate on wheat, an increase in feed grain price support.

Mr. ABERNETHY. What else would you suggest to help increase this or to come back to this ideal income situation?

Mr. JOHNSON. To get down to the fundamental question, it all comes down to money. How much money are we going to put into these programs?

Mr. ABERNETHY. I have thought about that. That is the reason I asked this question. It is a very easy matter to present an idealistic situation that we would like to have, or to draw a picture of it, but we here are charged with the responsibility. We cannot just draw pictures. We have to do something, if a method can be found. The job is for this committee and the House and for the committee on the other side of the Capitol and the Senate. I will be very frank to say that we need a lot of help. I do not know how to do it. I do not know that anybody does.

Mr. JOHNSON. You have got me on one of my favorite subjects. We will be up here talking to other committees, I assure you. We make an appearance each year before another distinguished committee chairman, Congressman Whitten, and his Subcommittee on Agricultural Appropriations. We appear here before a committee chaired by a very distinguished Senator from Florida, Senator Holland, on the Senate side, and we have had sympathetic ears from these two chairmen and the members of those subcommittees.

Mr. ABERNETHY. You still have that problem.

Mr. JOHNSON. Yes, we certainly do. This is something that we are going to have to work on, on the broad front. We have Congressman Abernethy, to do that, and I hope that you have a chance to review the bargaining act which the President referred to quite extensively in his message yesterday. He made some very good comments in regard to it. I think that this is a vehicle to be used in putting the farmer into this mainstream of business, of commerce. It is something that would not be a substitute for what we now have but would be superimposed on these programs that we have, to give the farmer a further opportunity to increase his income and his price position through joining together in a common action in bargaining. It has two alternatives in it: One follows closely the National Labor Relations Act program with some modification. The other one would use an expansion of the Agricultural Marketing Agreements Act approach on a market order basis.

Mr. ABERNETHY. I am familiar with that.

I do not want to take any more time, Mr. Chairman.

I think that this is going into detail on another bill.

I thank you for your suggestion. The Department and Congress are trying to come up with some kind of a legislative proposal to improve the income of our farmers, and that is the reason that I have asked these questions.

Mr. JOHNSON. If I may just make one further comment.

I would direct your attention to the several points that the President included in his message yesterday. Those several points are on page 5 of his message, and those points are almost exactly what most of us in organized agriculture have been talking about over the past year. He could not have done it better. The several farmer organizations that share our belief feel that we need to do more to give the farmers a market price.

Mr. ABERNETHY. Thank you, Mr. Chairman. That is all.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. No questions.

The CHAIRMAN. We are very much obliged to you, Mr. Johnson, for a splendid presentation of your views. I think that we are going to have to go a little farther in going into the specifics of what we should do. We went rather far afield this morning on this phase of agriculture. I think we are going, before we can get very far with Public Law 480, to have to talk specifically about how it is going to raise the income of the farmers and what it will need, because that is the legislation before us right now.

Mr. JOHNSON. I was more than delighted to be enticed into some of the areas that we discussed. I consider Public Law 480 as part of the total package as to the farm problem.

The CHAIRMAN. Yes. We are only interested, however, in Public Law 480 this morning.

Mr. JOHNSON. I understand.

The CHAIRMAN. And I think the question we are going to have to answer is how the extension or the failure to extend or to change Public Law 480 affects the situation, and we will discuss it more tomorrow with other witnesses.

We are obliged to those who have been with us this morning.

Tomorrow we will hear from Mr. Graham of the National Grange, Mr. Foster who is associate professor at the University of Massachusetts, and who represents the Friends Committee on National Legislation, and Mr. Hofer, who is the executive vice president of the Association of Wheat Growers, and possibly Mr. Jack Lynn of the American Farm Bureau Federation.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12 noon, a recess was taken until 10 a.m., Thursday, February 29, 1968.)

Mr. Chairman, I am very much obliged to you, Mr. Johnson, for a splendid presentation of your views. I think that we are going to have to go a little farther in going into the specifics of what we should do. I went further far ahead this morning on this phase of argument. I think we are going before we can get very far with Public Law 450, to have to talk specifically about how it is going to raise the income of the farmer and what it will need, because that is the legislation before us right now.

Mr. Johnson, I was more than delighted to be entered into some of the areas that we discussed. I consider Public Law 450 as part of the total package as to the farm problem.

The Chairman: Yes, we are only interested, however, in Public Law 450 this morning.

Mr. Johnson, I understand. The Chairman: And I think the question we are going to have to answer is how the extension or the failure to extend or to change Public Law 450 affects the situation and we will discuss it more tomorrow with other witnesses.

We are obliged to those who have been with us this morning. Tomorrow we will hear from Mr. Chairman of the National Grange, Mr. Foster who is associate professor at the University of Massachusetts and who represents the Friends Committee on National Legislation and Mr. Heller, who is the executive vice president of the Association of Wheat Growers and possibly Mr. Jack Lyon of the American Farm Bureau Federation.

The committee will stand in recess until 10 o'clock tomorrow morning.

(The session at 12 noon a recess was taken until 10 a.m. Thursday, February 22, 1961.)

EXTENSION OF PUBLIC LAW 480

THURSDAY, FEBRUARY 29, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Abernethy, Abbitt, Jones of Missouri, Purcell, O'Neal, de la Garza, Jones of North Carolina, Dow, Montgomery, Rarick, Belcher, Teague of California, Dole, Hansen, Goodling, Miller, Mathias, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant counsel, and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are met this morning to further consider the extension and possible modification of the existing legislation known as Public Law 480, and we have four witnesses this morning. I am going to try to keep them to about a half hour apiece. Our first witness is Mr. Harry L. Graham, legislative representative of the National Grange.

We will be delighted to hear from you, Mr. Graham.

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

Mr. GRAHAM. Mr. Chairman, and members of the committee, some people call it "Food for Peace," some call it the "War on Hunger," some call it "Public Law 480," but for 100 million recipients of U.S. assistance in feeding the hungry, it is an act of mercy and an expression of brotherhood which finds no equals in the history of the world and the relationships in that world between nations.

The stories about it are legion. The Food Administrator for AID told me 2 weeks ago that at one time, last year, he was feeding 9 million schoolchildren per day in India. Public Law 480 shipments increased the diet for 100 million people in India from 4 ounces of wheat per day (which is starvation) to 6 ounces per day, the lower level, as I have indicated, meaning starvation, the higher level meaning survival.

This project has meant a new and very satisfying relationship between this Government, its voluntary agencies, and recipient nations and peoples in dozens of countries around the world. CARE reported feeding more than 9 million people a day, also last year in India, in two provinces alone. Church World Service and a whole list of relief

organizations, Catholic, Jewish, and Protestant, have cooperated in this ministry of mercy to keep people alive, and to try to protect the learning capacity of children, even before they are born.

It has been well established that inadequate diets before the age of 4 and beginning even with the unborn fetus can permanently impair the learning capacity of the child for the rest of its life. It has another factor which is more easily recognized and that is the stunting of growth. One of the most dramatic examples of what this program has accomplished was in Japan which depended so much on the food for peace program after the war. Reports indicate that today's young people in Japan are 4 inches taller and 20 pounds heavier than their parents.

However you call it, even with some of the problems of distribution that have arisen, and with possibilities of some maladministration, this has been one of the most amazing and heartwarming programs ever conducted by any nation.

It began with an attempt to remove the surplus food which had accumulated in the United States and to put it into a practical use. It was a combination of humanitarianism and practical economics, and represented the traditional American cultural attitude inherited from the Europeans which looked with disfavor on the waste of foodstuffs.

It ended as probably the best market development device ever used by any country. The major purchasers of U.S. agricultural commodities today were all of them, at one time, recipients of food for peace and other aid programs. Let's just look at this list:

Japan, Spain, Israel, Korea, Taiwan, Iran, Brazil, Peru, and Chile. And this list was done while I was gone, and I would add: Germany, France, England—practically all of the European countries—Italy, Greece.

After 14 years of successful operation, the question of the renewal of the war-on-hunger program which expires at the end of this calendar year is before this committee, even though there is no bill which has been introduced for our consideration. All of us were aware of the calendar of events which requires this distinguished committee to render its judgment and offer its advice to the House of Representatives.

The Grange believes that the program should be continued. We believe that the restrictions and directions given to the program by this committee and the Congress in 1965 are adequate to increase the participation of the recipient countries and to minimize the cost to this Government. We would also point out that the agreement which was negotiated as a part of the Kennedy round should extend the participation of other governments in this effort to prevent famine and the inevitable political disorder which follows it in many countries of the world.

We would not be prepared to argue with the committee if it wanted to make a careful evaluation of the administration of these programs and to suggest improvements in the distribution policies that would maximize the effectiveness of this program. Our own feeling remains that this should be largely an effort to assist the developing countries and the food-deficit nations to help themselves. Restrictions on the use of technical aid supplied by the United States should not be included, nor should this be cut back to other pressures upon our economy.

The stark, staring fact which remains before us is that if we are to prevent famine during this century when the world population will rise to more than 6 billion, there simply is no time to be lost, not even a month, in our efforts to harness the productive capacities of the food-deficit nations and to maximize their production.

Long-term research projects, such, as those that have developed the IR-8 rice and the Sonora wheat, and which are now being used to develop pesticides, rodenticides, insecticides, herbicides, fertilizers, and improve seed varieties, simply must be continued because such research cannot be interrupted without losing most of the value of the previous research.

We approve the inclusion in the 1965 bill of the farmer-to-farmer concept or a Farmers Peace Corps, as it is sometimes called, and would support whatever legislation the committee would consider to see that this program is implemented and carried out.

At the other end of the line, we have been much impressed by the use of U.S. food donations as capital to hire workers to do jobs that badly needed to be done in the developing nations, especially when those jobs make a contribution to the development of the food production potentials of these nations.

We would note that, with the exception of the technical aid and assistance, that this money stays at home. We fail to understand the argument that the continuation of this program would contribute to an increasingly adverse balance of payments. In rebuttal to this, we would point out that the whole program could be killed and our balance of payments would still be unfavorable. The same could be said for almost all of our unilateral, or bilateral, aid projects.

The problem of the balance of payments is considerably more deep-seated. A major problem was discussed by us at the time we presented our views on the report of the Council of Economic Advisers to the Joint Economic Committee. And we included an excerpt from our statement before the Joint Economic Committee as an appendix to this testimony here—appendix 1.

The extension of Public Law 480 in its present form with some minor changes might be recommended by the committee or the Department in the administration of the legislation has a critical implication for our country and for the peoples of the world. If it was to bog down on the basis of unreserved selfishness on the part of the American people, then its adverse effect on the developing nations would be catastrophic. We have already severely restricted our aid program to them, and where they did not have administration of sufficient ability to carry out the programs, this restriction was justified.

I would submit to the committee that the decision to not build a steel mill is not quite the same as the decision not to supply food to avert starvation. Neither should the reluctance to extend Public Law 480 be equated with a seeming demand for the expansion of our arms aid to countries which have really little practical need for sophisticated weapons. The question of how we live on this planet should probably take priority over our attempt to find out what the moon is like during the long day and the long night.

At this point, I simply refuse to believe that the American people will not rise to the problems that face them if they are told honestly and candidly what these problems are. I even believe that they would

accept the surtax without any political repercussions if the administration, the Congress, and the public figures in the United States would lay their cards on the table face up as to what it is that we face in the coming years.

The problem is not whether or not we have guns and butter, we obviously have to have both. The internal problems in the United States and the external problems which we, along with the rest of the free world, face around the world, are going to be with us for some time. The problem is whether we have butter and jam, both, in the private sector. The fact is that the average standard of living of American people is so high that it is almost ridiculous. The average American is unwilling to pay the extra tax simply because he has not been told how extremely critical this situation is.

In that light, I would point out that we are paying about \$4 billion a year for diet aid to keep from gaining weight, and we are talking about somewhere around \$9 or \$10 billion in the surtax. The two just do not add up.

The administration was reluctant to really push a tax hike that was advised by the CEA last year, and there are a great many Members of the Congress and of the Senate who know that a tax increase is as inevitable as day following night but who are not in agreement. This can very well be the fate of this excellent and profitable program which we consider here today.

If we could have a 30-day moratorium on politics while this is being considered so that the needs of deprived people around the world could at least have a minimum level of satisfaction, if the alternatives of world hunger and chaos with its inevitable political convulsions which follow, if the basic economic wisdom of this investment could be presented with the net value of our country in terms of markets which have been developed as a result of this program carefully cataloged, to say nothing of the fact that this is about the only way that an individual in our corporate society of 200 million people can effectively share with needy people around the world as we, as a Nation, attempt in some measure to follow in the footsteps of the Good Shepherd, the gentle Jesus, then I believe this and other necessary programs of this Government could be funded, and would be, by the American people. They have not shown a reluctance to make sacrifices when sacrifices were demanded. The question which now remains unanswered is whether this Congress and the administration are going to ask for and expect these sacrifices and build support for this and other worthwhile programs by a candid appraisal of the problems and report to the people of the same.

This committee has not been unconcerned with this problem in the past nor do I think it will be in the future. So much of great import depends on your decisions. There is a real possibility that in this world's teeming populations, the number of people whose life or death will be determined by the action of this committee, is the equivalent of the total population of the United States. This fact cannot, and must not, be lightly dismissed.

I would just say a quick word on this appendix, because it is a study of what our economic situation has actually been and a quick report on some of the things that I learned in Germany last fall when I was over there helping evaluate the Marshall plan and some of the

decisions that are being made by the German Government, by the German labor unions, and German industry in terms of their own balance of payments and extension of their exports.

I think what they are doing over there should be of interest to us and probably would be profitable to us if we would take a good look at the way they are doing, because they are doing a pretty good job. It has improved.

That is the conclusion of my formal testimony, Mr. Chairman.

(App. 1, submitted by Mr. Graham, follows:)

APPENDIX 1

EXCERPT FROM STATEMENT OF THE NATIONAL GRANGE BEFORE THE JOINT ECONOMIC COMMITTEE

The Report of the C.E.A. showed an unemployment rate of 3.8 percent, a rate that has not been lower except twice in 169 months. With total employee compensation up \$33 billion, and total consumer income after taxes up \$35.5 billion, combined with an all time high in industrial production with a yearly rate of growth in the Gross National Product of 4.5 percent, this is a continuation of the longest period of uninterrupted growth in our history.

On the industrial side, we see undistributed profits in the non-farm corporate businesses of \$2.5 billion and net working capital of \$196.3 billion. This is after bond yields have increased for the Aaa bonds by 38 cents and for the Bbb bonds by 60 cents during the last year with total liquid assets up \$47.1 billion.

If we may return to the expanded profits and wages to which we previously referred, we would like to discuss it in a different context. This is its effect upon our international trade and the rise of protectionism in the United States. With labor contracts expiring in the steel industry this summer, and with already announced goals of increases of 8 percent or more being sought, it is pertinent to relate this to the attempts to impose import quotas on foreign steel.

This would simply lock-in our inefficiencies in the competitive steel business and charge these inefficiencies to the consumer. While agriculture has been at the head of the technological revolution, producing its products to sell on world markets at competitive prices, making the greatest contribution to our net balance of payments of any industry, the steel industry by and large is still engaged in producing by the Bessemer process of the last century.

I spent two weeks in Germany in November of last year surveying the results of the use of Marshall Plan money for rebuilding the German economy. I was particularly interested in the pragmatic economic decisions being made by the Germans. These include reducing their yearly coal output from 143 million tons to 80 million tons, increased dependence on U.S. coal which is cheaper to import into Bremen than German coal is from the Ruhr, and the development of technically advanced steel production as a means of maintaining their share of the world market and increasing their growth, if possible. At the time we were there, the German Federal Republic laborers in the steel industry and the owners of the steel mills were pounding out an agreement under which they would freeze wages and profits at the present level in order not to undermine their competitive advantage overseas. They have been bringing into production new steel mills with the most advanced production techniques in the world. The same is true of Japan. As a result, these two countries are able to deliver their steel to automobile plants which are within two hundred miles of our basic steel complex at a cheaper price than U.S. steel can be delivered.

One of the main reasons is that most of the U.S. companies have been more interested in expanded profits, as previously noted, than in modernization of their plants. Although integrated steel production is relatively well advanced in both Japan and Germany, in the United States there is only one facility which has incorporated into a single large-scale operation the basic oxygen furnace, vacuum degassing and continuous casting—the latest and most important advances in steel making technology.

The National Steel Corporation will soon open its new \$100 million facility in West Virginia, following hard upon the first basic oxygen furnace and the first 80 inch computerized hotstrip mill in the Nation. The last two gave National a

three year jump on its competitors and the new facility is supposed to trim production costs by \$10-\$12 a ton.

This is the proper way to meet the competition from Japanese and German steel, not by restrictive tariff laws which serve to reduce our international trade and, at the same time, reduce the possibility of maintaining an expanding economy to serve the needs of a rapidly growing population.

We interject this into our testimony by way of stating our support for the treaty which the Senate must consider establishing tariff cuts during the Kennedy Round of Negotiations in the GATT.

Without discussing textiles which are basically in the same situation as steel, we would like to file an article from "Textile World," November 1967, as an appendix to this statement.

We use the example of the German steel industry to suggest to our friends in the rest of the U.S. economy that, at this time of intense competition, some statesmanship is in order. This includes both the willingness to accept lower earnings and lower targets for salaries for a temporary period while our industrial plants adopt the modernized methods of integrated production in the case of steel, and the modern technologies in other industries which are going to be necessary to preserve the competitive balance with our trading partners around the world.

The abandonment of the previous wage-price guidelines do not make any contribution to a satisfactory solution to this problem. We would, therefore, urge this committee and the Council of Economic Advisers, to most seriously consider the ways in which we may place some type of controls over the tendencies toward inflation which the President and the Council both have noted in their message to this committee—not only so that the consumers may be benefitted by products at reasonable costs, but simply because the long-term basic interest of our industries are intimately bound up in the solution to this problem.

THE BUDGET AND TAXES

At a time when our economy was threatened with a mild recession, the Administration and the Congress properly passed legislation resulting in rigid tax cuts in 1964 and 1965, equivalent to about \$23 billion in today's economy. This resulted in bringing federal revenues into balance with federal spending. We would comment that it was precisely this approach which was recommended by Andrew Mellon to President Hoover in the depression of 40 years ago. Where this so-called "new economics" gets into trouble is when it is necessary to reverse the process in order to restrict inflationary pressures and to balance a budget which has gone out of balance partly as a result of inflation.

We do not agree with those who believe that it is too late for a tax boost to be valuable in the present situation. Although it might not be able to bring the necessary restraint upon the tendencies of inflation, it certainly has one basic validity, and that is the restoring to the money markets of the world confidence in the dollar.

The success of the policy just noted would be more certain if we could superimpose it upon an economy which did not have the extremely heavy drain which we are having today because of the effort in Vietnam. However, it is precisely this effort that is still making an increase in federal income necessary.

At the same time, it should be noted that at the time the gold pool nations took their action under the International Monetary System to support the price of gold, and at the time the Special Drawing Rights Plan was agreed on in Rio de Janeiro in September, we were warned by our friendly allies, especially by the members of the international gold pool, that this program could be effective only if the U.S. began to balance its budget. In almost every instance where our friends from overseas have discussed the problem of maintaining the American dollar, which certainly is to their interest as well as our own, they have advised us that we should increase our taxes.

We were very free to advise the French to do the same thing some years back when they were in difficulty, and we have advised a number of the nations who are recipients of our unilateral aid to do the same. The time has now come for us to take a dose of our own medicine, and substitute statesmanship and responsibility for political considerations which might be arrived at with great expense to the long-term economic welfare of our country.

The President has submitted a "hard-nosed" budget. Some of the items left out raise a question as to the good judgment used. The failure to enact an adequate tax structure will mean that other items, no longer in the field of the

luxuries which an expanding economy should be able to afford, but in the area of the absolute necessities for a strong economic and political and social system must be laid by the board.

The advice of the Chairman of the CEA, Mr. Ackley, should have been heeded a year ago. Despite the fact that we are late in coming to grips with this problem, we are still well advised to pursue this policy, if not to halt inflation at least to restore some confidence in the dollar which has been shaken by the events of the past few months.

This committee, the Congress and the Nation should also be extremely wary of accepting the suggestions that we should not have any tax increase, even in the midst of a war, but rather a further reduction of expenditures. These, most of the time, represent those who would dismantle our Federal System and this is an excuse to do through the back door exactly what could not be accomplished through the front door. It seems to us that it is beyond the realm of rational thought to expect a nation of 200 million people to get along with the same service level to its people as it did when it had only 100 million people. With the prospect of a growth to 300 million by the 1990's, it is obvious that the responsibilities of the Federal Government, instead of decreasing, will probably be increased. The major reason for this increase, in our judgment, will be the stresses put on our institutions at the state and local level—stresses which will result in a continuing demand for increases assistance from the Federal Government.

Grange members do not like to pay taxes any more than anyone else. However, if it becomes a choice between the irresponsible evasion of present duties which will result in simply postponing the "day of judgment", or accepting our responsibilities like mature citizens of a great country, then we stand at the side of those who propose a responsible course, and we are prepared to support the actions to accomplish the objectives of a responsible national policy.

The CHAIRMAN. We thank you very much. We are always glad to have you appear before us.

There are some questions here that I think need some further consideration.

I am afraid that you are assuming that we are operating under the assumption that all of the commodities we ship under the so-called Public Law 480 cause a drain on our balance of payments. That is not correct. The chairman is not under any such misapprehension as that. But he has thought that some of these commodities might be used so as to help the balance-of-payments problem primarily by agreements which would allow the expenditure of some of our own restricted local currency holdings rather than by taking more blocked or restricted local currencies in payments for our commodities.

Obviously, it is most advantageous to the host country to pay with restricted local currencies than it is to pay in unrestricted local currencies. Obviously, if we could use the currency of a host country to make any purchases which could be made in the market, we could reduce the balance-of-payments deficit so far as the United States is concerned.

For instance, in India, we purchase about \$150 million of jute and jute products per year which we pay for with dollars, and at the same time we have many rupees on hand. If we could use those rupees to pay for those jute products, obviously our balance of payments would be in a better condition and, equally true, the Indians balance of payments would be in a worse condition and it is because of that fact that we have not insisted on doing so. It has been suggested that the chairman feels that the shipment of wheat to India was affecting our balance of payments. I merely raised the question: Might it not be used to improve our balance-of-payments position? It cannot be used to improve our balance of payments without hurting somebody else in some instances. I think that all of us who have passed the fourth grade

know that if we were to get paid in unrestricted currency that they are not going to get as many of our dollars and that it is going to have an adverse effect on somebody else if we get paid with dollars. I think the question then arises: How much can any of these countries afford to deal with us and pay in unrestricted local currencies for unrestricted use? If they can, it is perfectly clear that we can help our balance-of-payments problem. If they cannot do it, then obviously we do not have this opportunity to improve our balance of payments.

The Chair suggests that we ought to look into that.

We ought to try to get the facts, and we would welcome any suggestions that you have, Mr. Graham, as to the ability of any of these countries. We have provided a good deal of aid to Brazil while we were buying coffee in tremendous amounts and paying for it with dollars. We have supplied commodities to a good many places where we are paying cash for a good many of their products.

Would it be possible to get various countries to allow us to use, at least, a portion of this local currency for unrestricted payments? That is the question that the chairman is raising. I have not suggested that the exportation of this wheat, just of itself, had any adverse effects on the American balance-of-payments problem. I think there is a misunderstanding there. I think that your statement here clearly indicates that you are of the impression that I think that merely shipping the wheat out adversely affects our balance of payments.

Mr. GRAHAM. I am in perfect agreement with the basic question you are raising as to its being a very serious one, the ability of these people to pay.

What I was trying to say is that this is in the present law, that it could be done under the present law. And I think it has been done under the present law. The question is whether or not the judgment that has been made as to their ability to pay is an accurate judgment. It seems to us to be the question and also the problem which we face. I am only interested in the agricultural economy first, not only in terms of our national welfare but whether or not the demand of a greater amount of hard currency or good long-term credit—I do not mean the kind that we have been giving—concessional sales, where the credits are repayable in cash and in dollars—how far we can push that without interfering with some of the rest of our economy.

These people just about as badly need these other articles as they need food, and I am not talking about steel mills. I am talking about some of the mechanical aspects that they need, such as fertilizer, and things like that, in order to develop their potential and to develop their economies. How we balance all of these together is quite a juggling trick that you will have to do. We have about five balls in the air at the same time.

We are not trying to impugn the motives of the chairman or to suggest that you do not believe in this program, because your record certainly indicates through the years that you do, Mr. Chairman. You have been an ardent supporter of it.

We are raising the question as to how far we can go at this point, and we are not going, necessarily, to quarrel with you as to your judgment. We are raising the question among different levels, and you are probably raising the same question. This is what I am trying to say.

The CHAIRMAN. I think that your suggestion is well taken, but what I am suggesting is that we need to know what effect it has had.

Mr. GRAHAM. Correct.

The CHAIRMAN. And we would welcome any suggestions from anybody, the present witness or any other witness, as to what the effect of asking for a larger amount of unrestricted-use currency would be. We would like to have judgments on that. But so far, we have not had one single expression of judgment on it. I do not want to cause starvation anywhere by any restrictions or any liberalizations, I might say, on the use of this currency, but I do want the judgment of those who can give us an informed judgment as to what would result from asking these countries to allow us to use this money for unrestricted purposes. I get the general impression that you feel that we cannot do anything in that respect.

Mr. GRAHAM. If you took it that way, it was not what I intended. What I said right at the beginning was that in general, the law has within it the authority to do exactly that thing at the present time. I think we should do it everytime.

The CHAIRMAN. I think that the authority is there, but I do not think that the administration's agencies are going to do very much more than they have done in the past, and maybe they should not. That is what we need to know. Should they do any more than they have. I think that you correctly expressed it in saying that there must be a judgment, because whether they have made a good, sound decision or not may present a question, but nobody tells us whether they have or have not.

A number of the witnesses who have been before us even declined to express an opinion as to whether this money could be moved into the open market without serious harm.

Mr. GRAHAM. I think that all of us are lacking in expertise at this point, Mr. Chairman. This is a highly complicated economic situation, and I do not know—really, I do not know how. I know what I read, and you are reading the same thing. It is a matter of judgment on it, and we are not questioning this matter. I am like you. We have, in previous testimony in setting up the present bill, reported the sales for cash, on long-term credits for cash, wherever possible, and the concessional sales as the final alternative, and we still use that same system of priority, and we also said in here that we think you have the right to evaluate the administration of the program. So, I do not think that we are really in trouble with you at this point. I think that we are saying about the same thing. I hope that we are.

The CHAIRMAN. You have made some suggestions.

Mr. GRAHAM. My personal opinion is that there are so many other ways that we can do so much more for the balance of payments. I think what I was trying to say, the one thing that I was trying to say, is: Let us not solve the balance-of-payments problem—it is not for this committee at this point. It is more complicated in some way but is much easier answered in the balance-of-payments program than in this.

Mr. KLEPPE. Would you yield?

The CHAIRMAN. Certainly.

Mr. KLEPPE. I would like to ask this question of you or the witness. It seems to me, if my memory is correct, that in 1966 we received about \$240 million in hard cash for grains shipped under Public Law

480 and about \$600 million plus was in soft currency. So, we had about one-third in hard and about two-thirds in either grants or soft currency. If that is incorrect, would you correct it for the record? Do you know what the figures are for 1967?

Mr. GRAHAM. I, offhand, do not. I think that your figures are about in the reverse.

Mr. KLEPPE. For 1967?

Mr. GRAHAM. Yes.

Mr. KLEPPE. We got two-thirds of our shipments for cash and one-third was grants or soft currency?

Mr. GRAHAM. Right.

The CHAIRMAN. You are talking about our total shipments?

Mr. GRAHAM. I think that is what he is talking about.

Mr. KLEPPE. That was my question.

The CHAIRMAN. That you were talking about under Public Law 480.

Mr. KLEPPE. Yes, the total under Public Law 480.

Mr. GRAHAM. We do not sell for cash under Public Law 480.

The CHAIRMAN. We received the \$240 million that you were talking about. That was money which was paid on the indebtedness of these countries. I think that there was about that amount paid, but, remember, these countries buy these commodities, and they buy them on a 40-year term basis, most of them.

Mr. KLEPPE. I understand.

The CHAIRMAN. And we got about \$240 million—I think that is about correct. That is the amount that was paid on the indebtedness.

Mr. GRAHAM. Some of this, a large amount of this, comes from the countries who no longer receive Public Law 480 aid—Japan, Korea, Taiwan—that list of people.

Mr. KLEPPE. Your recollection is that in 1967 that was about twice as much as in 1966?

Mr. GRAHAM. I would be glad to supply that information for the record.

Mr. KLEPPE. I think that it is the kind of good information to have in the record.

The CHAIRMAN. It would be fine to get it into the record, but I think that we are talking about two different things. Certainly, about two-thirds of the farm commodities that we shipped abroad were paid for in dollars and only about one-third of the commodities we shipped abroad moved under that we call Public Law 480. None of the commodities shipped under Public Law 480 were paid for in cash.

Mr. KLEPPE. No. I understand that. But how can we determine how much was shipped under Public Law 480 for which we received soft currencies, or was it a straightout grant?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. We can get that.

Mr. GRAHAM. We can supply that.

(The information referred to was not supplied.)

The CHAIRMAN. Are there any other questions of the witness?

Mr. Teague?

Mr. TEAGUE of California. This is not a question, Mr. Graham. You know I have always been for this program.

Mr. GRAHAM. Yes.

Mr. TEAGUE of California. I notice on page 6 of your statement that you believe that the American people would accept the surtax without political repercussions. I will need your help on that. I have stated orally, publicly, and in writing that in all probability I will vote for the surtax, and I have received some very adverse repercussions. I hope you will help me on that.

Mr. GRAHAM. I will be glad to help you in any way that I can, Congressman Teague. I certainly would not want for you not to come back.

I qualify this by saying that everybody, if they start putting their cards on the table face up as to what the situation is, I doubt if one Congressman could do it in one district by himself—we need a very candid appraisal of this thing for the American people at the present time, in my judgment.

Mr. TEAGUE of California. I think so.

That is all.

Mr. GATHINGS (presiding). Mr. Graham, I want to commend you for a very fine statement and more particularly for the expressions contained in some parts of your statement which, to me, are most meaningful. You say that it is an "act of mercy," Public Law 480, and a "question of brotherhood," and that is another good term. And after you use such good adjectives you then talk about the tax—I can appreciate that, too.

I had a meeting in my home city of West Memphis in the early part of January just before we met back here, and I spoke to the people who were in attendance on this question. I explained it full well, that we needed to do something about raising more money to support the war effort. After I had concluded my remarks, the chairman asked for raised hands of those in attendance who would support the 10-percent surtax increase, and it was about 60-40, 60 that would support it and 40 would oppose it.

We have to do it; there is no reason for us not to pay more taxes so that we can wind this war up and bring the boys back.

Mr. TEAGUE of California. But you are not up for reelection. You are not running for reelection.

[Laughter.]

Mr. GATHINGS. I will say to the gentleman from California that that is true. I'd still be with the majority.

Mr. GRAHAM. I have been talking about this. I have made a number of speeches, and I got about the same result that Mr. Gathings got. People do not like to pay taxes. I do not, either. It will cost me about \$25 a month, and I can use it doing some other things, but I can use it to help my own country, too, if it needs it, and I would.

The CHAIRMAN. Are there any other questions of Mr. Graham.

Mr. Kleppe?

Mr. KLEPPE. I would like to make one statement, Mr. Chairman. I think that what you have said about this tax thing is probably true, but probably the argument that I would have on your statement is what is your understanding of guns and butter and jam in regard to what we can afford at this time at the local level, and this is the main problem that I have with my people at home. It is very, very clear cut.

Mr. Gathings talked about 60-40. I have got 99-1, but the other way.

Mr. GRAHAM. I think that if the people understood—if the farmers in your district are as poor as they think they are, and——

Mr. KLEPPE. They will say this, anyway.

Mr. GRAHAM. I know they will. I have talked to farmers, and I do all of the time. And this tax would have little effect on them if they are making enough money to be bothered by this surtax. And they have not as much quarrel with income as they say they have. They cannot have it both ways.

Mr. KLEPPE. Public Law 480 is high on my priority list.

I certainly think that this program, for what it has done, for what it is intended to do, is a very worthwhile program, and I take a very dim view of how seriously it affects our balance of payments. So, I am very much in support of this program, and I hope that we can work out all the angles that need to be worked out to make it a continuing, very workable program.

Thank you; that is all.

The CHAIRMAN. Thank you very much.

Mr. Goodling?

Mr. GOODLING. On page 1 of your statement you say:

"The Food Administrator for AID told me 2 weeks ago that at one time last year he was feeding 9 million schoolchildren per day in India."

This applies to the present, but in your opinion will it be the same in the future?

Mr. GRAHAM. No, of course not. I have never implied that at all. I was only implying that we have got to get this program working for the development of their capacity to feed themselves. Let us make self-help available like it is supposed to be, making it contribute to self-help. This kind of thing, they do not want either.

If we have to feed 9 million schoolchildren to keep them from starving to death, let us feed them during those times of crises, like we have.

Mr. GOODLING. Right now, four of my friends from the University of Penn State are in India teaching them to produce more food. That, rather than handouts, is the only long-range approach.

Mr. GRAHAM. And to be sure that the world market prices are high enough so that they can make some money producing their foods, the same as the farmers here can, and then we will have it.

Mr. GOODLING. Thank you.

The CHAIRMAN. Thank you very much, Mr. Graham. We have done reasonably well. We have run a little over. I am trying to get the witnesses and the questioners to keep it to 30 minutes apiece.

Our next witness is Dr. John H. Foster, associate professor, University of Massachusetts, Amherst, Mass., representing this morning the Friends Committee on National Legislation.

We are very glad to have you here, Dr. Foster.

STATEMENT OF DR. JOHN H. FOSTER, ASSOCIATE PROFESSOR, UNIVERSITY OF MASSACHUSETTS, AMHERST, MASS., REPRESENT- ING THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Dr. FOSTER. Mr. Chairman and members of the committee.

My name is John H. Foster. Today I am appearing for the Friends

Committee on National Legislation, a Quaker organization that from its inception 25 years ago has placed a high priority on working on legislation dealing with world hunger. The FCNL has testified several times before this Committee on Public Law 480 and related legislation.

I am accompanied today by Miss Frances E. Neely, associate secretary for legislation of the Friends Committee on National Legislation.

Those of you who know the highly individualistic nature of the members of the Society of Friends realize full well that no person nor organization can speak officially for all Friends. But on the question of America's responsibility to do its full share in overcoming world hunger, there is a high degree of consensus among Friends.

I am currently an associate professor of agricultural economics at the University of Massachusetts where I teach in the area of agricultural development. I have lived in rural India for a total of $3\frac{1}{2}$ years; $2\frac{1}{2}$ years as agriculturalist in a rural development center of the American Friends Service Committee and 1 year (1964-65) as a visiting Fulbright lecturer in an agricultural college.

It is my feeling that world and U.S. food policy must be based on an understanding of how present and probable future food shortages have developed.

A major worldwide activity of the past generation in which all nations have enthusiastically and cooperatively participated has been improvement of the health of all peoples of the world. The United States can be proud of the contribution we have made through both governmental and private programs to reduce suffering and increase length of life. I, myself, have been directly involved in India in assisting with medical treatment, extension of public health measures, and the distribution of American surplus dried milk to children, all of which contributed, in a small way, to improved health in the community.

I am sure most Americans have a strong sense of rightness about these international health programs. I have heard little discussion of who was to pay for them or what groups were to receive their benefit. It has been enough to know that we were contributing to reduction of human suffering from diseases and early death.

Moreover, these non-controversial and uniquely international programs have been highly successful. Disease rates and death rates have dropped rapidly all over the low-income parts of the world. Life expectancy in India, for instance, has doubled in the last 20 years. A single successful program of eliminating malaria from the country has eliminated about 3,000,000 deaths per year. The goals of these health programs are being achieved and all of us can feel a strong sense of satisfaction in this.

We all know, however, that our very success in this program has created new problems. Population in these countries has increased at an unprecedented rate. We hear so much about birth control these days that we forget that current population growth has resulted from successful death control rather than from unsuccessful birth control.

Rapid population growth, of course, gives rise to rapid growth in the need for food. The United States has enthusiastically supported the health programs; we cannot now throw the entire burden of coping

with the food problems created by the health program onto the countries involved. This is what we are doing when we propose to gradually shift to dollar payment for all food and when we reduce our technical and other aid for agricultural development. We cannot willingly help countries achieve improved health and then pull out when food problems result.

An additional world food goal, as identified by many, including President Johnson, is improved nutritional levels among the one-third to one-half of the world's population where diets are presently deficient. In the face of population pressures, little progress has been made on achieving this goal.

We have two kinds of problems to work with: One is to increase the food supply at the same rate as population growth and the second is trying to get ahead of population growth in order to improve the diet of many millions of people who have nutritional problems.

To expect the farmers of these low-income countries to increase food production as fast as population is growing, is expecting more than we have ever asked from American farmers. Actually, one of the wonders of our contemporary world, if we want to look at the positive side of the thing, is that these farmers, according to FAO figures, are almost keeping up with population growth. Although per capita food production has not improved in the last 30 years, it has not declined much in most countries. This is evidence of the desperate efforts that most countries are making to cope with their food problems. No nation wants to depend on gifts for such a vital requirement as food any longer than necessary.

There are five major paths of action I wish to recommend:

1. Continue and expand programs of birth control assistance when requested.

We cannot, and would not wish to, curtail any death control programs so the only avenue available for depressing population growth and the rapid growth of food needs is through birth control. We support the programs now in existence and hope that they can be gradually expanded.

2. Expand technical food production assistance in all countries able to use it.

The long-range goal must be for each country to develop the ability to adequately feed its own people or to expand its exports sufficiently to enable it to buy its food through commercial trade channels.

The food producing potentials of most countries with current food problems are large. In addition, in the last 20 years of agricultural assistance abroad, we have learned a great deal about how to help these countries develop their agricultural potential.

With this knowledge in hand and with world food conditions growing more acute, it is now time to add more resources to this long-term, worldwide effort to increase food production. Because of the level of agricultural know-how in the United States and the demonstrated willingness of our agricultural scientists to respond to this world service need, our country has special responsibilities. The bills by Representative Dole entitled the "International Agricultural Education Assistance Act" and by Senator McGovern to create an International Agricultural Service Corps are examples of the imaginative thinking needed in the area of expanding technical agricultural assistance. With

an allocation of funds equal to the amount we are spending to get a man to the moon, for instance, I am confident that the war on hunger can be won. The report of the President's Science Advisory Committee on the World Food Problem indicates this same optimism if adequate resources are available.

3. Work to bring into use the entire current capacity of the world to produce food.

The first two recommendations are long-range solutions and neither will have an immediate effect. Yet food shortages exist now and will continue to exist into the moderate-term future, however successful are programs under points 1 and 2 above. All countries with abilities to produce more food must be persuaded to do so. All countries have earned this responsibility by contributing to the health programs which have created the food need. Each country with the ability to produce additional food must be helped to see its responsibility to make food available to fill these current- and moderate-term future needs.

The United States has a special role to play here. Because of our productive God-given agricultural soil and climate, the wisdom of legislators over the past 100 years, the diligence of our American farmers, and the economic system under which they have operated, our Nation is in the unique and fortunate position of having excess food producing capacity. Our farmers are anxious to utilize this capacity and the people of the world need the food. Because we are involved in the health work, we must now be involved to the maximum of our production ability in coping with food needs we have helped to create.

We of the Friends Committee on Legislation particularly regret that current use of Public Law 480 is far below authorized levels.

4. Elimination of transition to dollar payment:

Given this understanding of the cause of expanding world food needs, it is clearly unreasonable to expect dollar payment for food aid in the short run. We did not require dollar payment for the health aid we gave; it is as unreasonable to expect these countries to alone cope with the food problems created by the health aid. On this basis, we ask for elimination of the wording in section 103b requiring a transition to dollar payment. I will now give an opinion that you asked for: Since title I sales are noncommercial and do not compete with commercial sales, elimination of section 103b will have little or no impact on our balance-of-payments problems.

In other words, if we ask India to accept rupees received under Public Law 480 for their jute, instead of paying dollars for their jute, it will simply mean that India will have fewer dollars with which to buy things from us. The whole purpose of Public Law 480 is to help countries that cannot afford to buy their food in the commercial market and therefore we need to make it available on a concessional basis.

We all look forward to a gradual phasing out of food gifts and sales for local currency as each country reaches that happy condition of being able to produce or commercially buy its food. Until that time, we should continue to make food available on a gift or local currency basis.

We Friends commend past efforts to encourage each food deficit country to actively develop its ability to fill its own food needs

through effective self-help efforts. But, on the other hand, the United States should not commit itself to a position of penalizing, by withholding food aid, the children and common people of countries where the leadership is unable or unwilling to develop effective programs of self-help. In fact, such countries may well be the very areas where food aid is most essential for the preservation of peace.

If the United States is looking for ways to effectively stimulate self-help, perhaps it could withhold or at least threaten to withhold military aid instead of food aid from some of these countries. This might actually be a more effective way of stimulating self-help.

5. Elimination of political limitations on food aid:

The Friends Committee on National Legislation also asks that food be removed from consideration as a weapon in the cold war. We firmly believe that the phrase, "food for peace," is an accurate expression of the potential role of food aid in creating and maintaining a peaceful world. Since it has this important role to play, it must be available to all people on the basis of need irrespective of the nature of their government. A hungry child should not be denied food only because he happens to be born under a Communist government. Specifically, we ask for the elimination of sections 103d and 103j.

I very much appreciate the opportunity to express these views. Thank you very much.

The CHAIRMAN. Thank you very much, Dr. Foster.

Mr. Jones has some questions.

Mr. JONES of Missouri. I am appalled at this statement where on page 4, in the last paragraph under section 4, you say:

We should not commit ourselves to a position of penalizing, by withholding food aid, the children and common people of countries where the leadership is unable or unwilling to develop effective programs of self-help.

I believe the Bible teaches that we expect people to help themselves a little bit.

Dr. FOSTER. This is true.

Mr. JONES of Missouri. Is this not true?

Dr. FOSTER. This is certainly correct. The point that I am trying to make here is that the present legislation provides that food aid along with other aid should be given in such a way as to encourage countries to improve their own food production. There are some countries where self-help type of activity is not being carried out very effectively and food shortages do exist. Under the present legislation, we are unlikely to send food to these countries, with the result that the children and the poorer people in these countries are penalized as a result of the leadership's inability or inaction in the self-help program.

Mr. JONES of Missouri. Let me ask you this, then: When I am talking about self-help, I am thinking about the person who is receiving this aid, that he should show a willingness at least to cooperate, in doing something to improve the living status of his own family as well as those living around him.

I have been in some of these countries, as you have, where we have seen these people—they are waiting from day to day or from week to week—usually, it is the latter—for the distribution of the commodities, and in the meantime they do not, apparently, make any effort to utilize their time in some productive activity, even to cleaning up the premises where they live, cleaning out the ditch, cutting the grass,

maybe planting a few flowers, things like that. Just last year, I was over in the area of the Palestine refugee program—I have been there before, and I have seen very little improvement except in those areas where, after the 6-day war, the Jews did go in and began supervising this thing. I have seen places in this area where we have been feeding these people for years, 10, 12, 15 years, and they have not done a thing, and this was in some of these little villages. I came across one place where there was some kind of a structure that was all rotted, the metal was rusted out. I said, "What is that?" And I was told that it used to be a water tank. I said, "Why have you not cleaned it up?"

You would think that somebody would have done something about it, that somebody would have said: "Let's get together and clean this up."

They do not do it. You are not saying that you want us to continue even where the people show no inclination to want to help, do you?

Dr. FOSTER. I would like to identify two different levels of self-help. One would be the level that you are talking about in terms of what the individual can do for himself, and the other would be national governmental programs for developing the potential of the country. I was referring primarily to official programs to improve the productivity of the country, through cultural changes, education, extension services, research, development of fertilizer plants are the kind of thing which the individual himself cannot do. From my experience in India, I would say that most people will try to help themselves if they find themselves in any kind of position to do so; in other words, if someone finds himself starving, he is going to do whatever he can to try to alleviate this condition. The difficulty is that in many situations, there is often very little that they can do.

Mr. JONES of Missouri. Let me interrupt you there. You were over in India. You saw where they were attempting to grow cotton and were making a pretty poor job of it. They were not accomplishing much at all.

Dr. FOSTER. The yields were very low.

Mr. JONES of Missouri. Yes, very low. And those people could have been growing some food there which would have been of far more value to them than the cotton that they were producing. Did you see that?

Dr. FOSTER. One of the difficulties in many of these countries is how to allocate their land between food products and other types of agriculture products that they also need. They not only need food, but clothing.

Also many of these countries depend upon agriculture to provide products for export. These are sometimes food and sometimes nonfood products which eliminates that land from food-producing capacity. And so dividing up the land is a very difficult decision.

Mr. JONES of Missouri. Do you think that there will be the incentive for a person to engage in this self-help program as long as we are generous to the point of actually injuring the person receiving the aid by taking away his ambition to do anything?

Dr. FOSTER. I hope, and I am convinced from my own experience, that the distribution of food aid, generally speaking, does not remove ambition which would otherwise be expressed by working harder. I think food aid, generally, is used in very desperate situations where

the individual finds himself in the position of not being able to accomplish much of anything. When it does not rain for 2 years in certain sections of India, the individual cannot do much about providing food for himself.

I think that our food aid has been very carefully distributed so that it will not eliminate personal ambition that otherwise would develop where the individual could do something for himself. I am thoroughly convinced about that.

Mr. JONES of Missouri. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. We have taken approximately 1 hour on two witnesses. I do not want to deny anyone the right to question the witness. Your testimony intrigues me, but I will forego questioning. [Laughter.]

Does anyone want to question further?

If so, he may do so.

Mr. O'Neal?

Mr. O'NEAL. Do you make a distinction here between feeding the child and feeding the parent?

Dr. FOSTER. Not particularly.

Mr. O'NEAL. You think that we should feed these people, even where they are unwilling, as you say, on page 4 here, to help themselves, and then on page 5 you want to take the lid off and let us feed these same unwilling people even in Communist countries.

Dr. FOSTER. The unwillingness that I refer to here is the unwillingness of the leadership in the countries to begin an agricultural development program.

Mr. O'NEAL. Which countries did you specifically have in mind that we should be sending our foodstuff to if we eliminate these sections of the act?

Dr. FOSTER. I do not have any specific country in mind. We believe that food should be sent wherever it is needed.

Mr. O'NEAL. But you do not have any in mind at this point?

Dr. FOSTER. No; not in particular.

Mr. O'NEAL. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Dow?

Mr. Dow. I want to salute Mr. Foster for a very fine statement, with which I heartily agree in all particulars.

I do want to ask you a question about your reference to technical help on page 2, in the middle of the page where you state:

This is what we are doing when we propose to gradually shift to dollar payment for all food and when we reduce our technical and other aid for agricultural development.

Has technical aid ever been provided in the framework of Public Law 480?

Dr. FOSTER. No.

Mr. Dow. That comes under other legislation?

Dr. FOSTER. This is a general statement of the total picture—the situation. This is correct.

Mr. Dow. But considering the fact that many members of this committee want to promote self-help in these different countries, I am sure that most of them will favor the maintenance of perhaps even an

increase of technical help in whatever legislation they may have a chance to consider. That is the only point that I cared to make, Mr. Chairman.

Thank you.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. I am quite surprised. On page 5 you speak about feeding the people in Communist countries. I am surprised that is in your statement. We are the people who must answer to the mothers and the fathers of those boys fighting in Vietnam. We have a grave problem there. We may not agree with the war effort, but the war effort is there.

What is your thought as to feeding people in Communist countries where they can then work on equipment and munitions and the type of war material that can be shipped to North Vietnam, and used against our own boys? This is like going the complete cycle. Had you given any thought to that when you made that statement?

Dr. FOSTER. Food aid will undoubtedly not be shipped to these countries as long as this active conflict exists. But this war will end and the sooner the better. The legislation you write should look beyond this tragic period and authorize concessional food sales wherever there is a food need in the world. Such action might help prevent future Vietnams.

Mr. MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. If there are no further questions, we are very much obliged to you, Dr. Foster. We appreciate your statement.

Dr. FOSTER. Thank you.

The CHAIRMAN. We will now be glad to hear from Mr. Glen Hofer, executive vice president of the National Association of Wheat Growers.

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

Mr. HOFER. Mr. Chairman and members of the committee, I am Glen Hofer, executive vice president of the National Association of Wheat Growers. Our association, in annual convention at Wichita, Kans., last month voted unanimously for a resolution concerning Public Law 480 which said in part:

Public Law 480 provides machinery for a broad program popularly known as Food for Freedom, ranging from famine relief to long term dollar credit sales. This program is an integral part of U.S. foreign policy and its purposes and uses. In addition, it is directly related to foreign aid, and has been recognized as an effective use of U.S. commodities resulting in benefits to the U.S. economy at home and reducing U.S. dollar costs overseas. Wheat growers and the general public should continue to be informed of the value to the nation of the program: Now, therefore, be it

Resolved, That the National Association of Wheat Growers strongly supports the extension of the Food for Freedom program and the annual appropriation required to finance the various titles of this law and that—

The costs of the program shall be separated to identify those expenditures that should not be properly charged to Agriculture, such as, embassy maintenance, military procurement, et cetera, and make this information public knowledge;

Congress continue to make funds available for market development programs;

Increased emphasis be given in Title II to "Payment of Wages with Wheat and Wheat Products" when need and opportunity exists;

Efforts continue to improve the status and therefore the effectiveness of U.S. wheat grower representatives abroad;

Funds generated by Public Law 480 be used to the maximum extent possible to construct port storage and handling facilities for wheat and wheat products; and

The Farmer to Farmer Exchange Program be fully utilized as a part of the self-help features of the Food for Freedom Program.

Other testimony before the committee has dealt with the broad humanitarian and ideological implications of Public Law 480. Perhaps we, as a commodity group, could serve best by focusing attention on the impact the program has on U.S. wheat and, in turn, on the economy of the entire country.

Since the inception of Public Law 480 in 1955, over 5 billion bushels of wheat have been exported from the United States under the authority of its various titles. That single statistic rates considerable enthusiasm on the part of the wheatgrowers, and we readily acknowledge that the concessional market furnished by Public Law 480 has been a major factor in the improvement of our wheat carryover position of 1.4 billion bushels in 1960 to a barely adequate carryover of 426 million bushels last June.

However, the National Association of Wheat Growers does not support an extension of Public Law 480 on the simple fact of wheat disappearance alone. The wheatgrower is a U.S. citizen and a taxpayer as well as being a farmer, and we take pride in the role our country and our commodity has played in combating human misery and starvation in the developing nations. We are happy when the concessional sale of wheat to a needy country generates local currency credits within that country which help offset dollar expenses our Government incurs there, over \$1.5 billion savings through use of Public Law 480 funds, 1955-67, since the program has been in effect. We are glad when the barter programs can provide materials, goods, and services worth over \$500 million to our Government abroad which would otherwise be a dollar drain. We are proud when export markets developed and serviced by Public Law 480 wheat becomes financially capable of converting to a cash market and start adding to the substantial contribution that agriculture makes to the U.S. balance of payments. Parenthetically, in the fiscal year 1967, a net of \$2.3 billion was earned in trade by agriculture—over 50 percent—of net trade balance of the entire U.S. economy.

We think those figures are significant, and we believe market impetus gained for U.S. agricultural products by Public Law 480 will continue to increase markedly. A quick look at two Public Law 480 wheat markets which have become, or show promise of becoming, dollar markets gives an insight into some of the potential benefits inherent in extending the program.

Of course, the emergency of these erstwhile concessional wheat markets as bona fide cash customers for wheat sets off a scramble among the rest of our competitor exporters. In most instances, however, the headstart afforded by the experience with Public Law 480 wheat gives the United States some built-in advantages. Purchasers and technicians are familiar with classes and qualities of available U.S. wheats. Promotional and sales personnel from the United States are acquainted with their counterparts in the market country. In many

cases, but not always, there is a loyalty or feeling of moral obligation in the countries receiving Public Law 480 shipments which becomes apparent when they shift to cash buying. This is not to say that normal market factors such as price, credit, and reciprocal trade won't prevail eventually, but the initial advantage is to us.

An Asian country rapidly attaining solvency and with an exciting potential as a commercial wheat market is South Korea.

The following table shows that from a total U.S. wheat export to South Korea of 381,000 tons in 1959-60, of which only 32,000 tons were for cash, South Korea last year imported 778,000 tons, of which 190,000 tons were for cash and an additional 194,500 tons were for barter.

(The table referred to follows:)

U.S. EXPORTS OF WHEAT AND FLOUR TO REPUBLIC OF KOREA

[1,000 metric tons wheat equivalent]

	Specific program						
	Title I	Title II	Title III (416)	Barter	Total program	Total cash	Total imports
1959-60-----	270.0	16.3	61.7	-----	348.0	32.6	380.9
1960-61-----	258.7	60.3	38.8	-----	357.8	4.2	362.0
1961-62-----	287.3	21.0	28.7	-----	337.0	25.9	362.9
1962-63-----	592.5	-----	28.7	-----	621.2	46.0	667.2
1973-64-----	509.3	77.0	39.2	7.0	632.5	78.3	710.8
1964-65-----	399.5	65.8	32.2	-----	497.5	17.2	514.7
1965-66-----	239.4	139.1	35.4	-----	413.9	26.5	440.4
1966-67-----	151.3	207.4	34.8	194.5	588.0	190.3	778.3

Note.—Sec. 416 includes Bulgur.

Mr. HOFER. Unofficial estimates for this year are placing total imports by South Korea at over 1 million tons.

Brazil furnishes us with another example of a swiftly changing wheat market. In 1964, Brazil received 1.46 million metric tons of wheat under Public Law 480 as compared to 228,000 tons for dollars. In 1967, there were 475,000 tons of Public Law 480 wheat long-term credit and 781,000 tons for cash and barter.

Those two markets are only examples from a long list of very promising commercial prospects.

In summary, the National Association of Wheat Growers strongly supports an extension of Public Law 480.

We believe it has furnished the world's hungry their best hope against malnourishment and starvation.

We believe it has been an effective tool in international relations.

We believe it is furnishing an increasing amount of economic benefits to offset its cost.

We know its continuation is vital to our industry.

Thank you for the opportunity to express our views before this committee.

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

Are there any questions of Mr. Hofer?

Have you any suggestions to offer as to changes in this bill?

Mr. HOFER. Mr. Chairman, the National Association of Wheat Growers is participating now in a feasibility study with the possibility perhaps of changing a few of the authorities, to perhaps make

better use of some of the currencies, the so-called soft currencies, that have piled up in some of the recipient countries.

The CHAIRMAN. You do not have any suggestions to offer now?

Mr. HOFER. We are not ready yet to go into detail, but perhaps before passage of the extending legislation, we may have a chance to present some ideas.

The CHAIRMAN. We have no intention of criticizing you, but the Chair has made it quite plain that we are here considering this extension now. We are not playing about it. We are doing it now. This is the time that we are considering this, and if the National Association of Wheat Growers have any suggestions we would like to have them. But if not, we will have to go to the floor without them.

Now is the time that we are considering the bill, and we have asked many to offer suggestions. This, again, is no criticism of you. I have not found any of our witnesses offering much more than merely suggesting that we have got a good principle here and we do not want to give up the principle. I do not think that anybody would quarrel with that, but we do want to know if in their opinion they have any suggestions that will help to make a better act and we want those suggestions now, not after we have passed a bill.

The witness just before you said that he did not want us to use it as an instrument in our national interest. Frankly, I do. I want to help the needy people of the world, but I also want to help the United States.

What is the view of your association on that?

Mr. HOFER. Yes, sir; we believe that it has been used in our national interest; we believe it has been used properly. When I referred to the feasibility study, it is simply that it has not been completed yet. We do not feel that we, actually, know enough about the proposal which came to us to give it our backing at this point. I believe that without that study, our association would be agreeable to extending it as it is.

The CHAIRMAN. Are there any other questions?

If not, we are very much obliged to you, Mr. Hofer.

Mr. HOFER. Thank you.

The CHAIRMAN. We will now move to our next witness, Mr. John C. Lynn of the American Farm Bureau Federation.

Off the record.

(Discussion was had outside the record.)

The CHAIRMAN. We will be glad to hear from you now, Mr. Lynn.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION, ACCOMPANIED BY HERBERT HARRIS II, LEGISLATIVE COUNSEL; AND RENO WALKER, ASSISTANT LEGISLATIVE DIRECTOR

Mr. LYNN. Mr. Chairman and members of the committee, the presence of my assistant here with me does not indicate how long we will be. I want to introduce to your our newest staff member, Mr. Reno Walker. He is a young man, and he will replace some of us older ones pretty soon, and I want you to become acquainted with him.

The CHAIRMAN. We are glad to have you here, Mr. Walker.

Mr. LYNN. Of course, you know Mr. Herbert Harris, our legislative

counsel. He will be assisting me in this presentation, in what I believe to be a very brief statement.

We appreciate the opportunity to present the views of the American Farm Bureau Federation with respect to Public Law 480, better known as the Food for Peace Act of 1966.

More than 13 years ago we had the pleasure of working with many of the members of this committee in helping to develop Public Law 480. This basic legislation, enacted in 1956, was a good idea; however, we believe that the achievements under this program in many respects have fallen short of the original intent of the Congress. We think it is good that the House Agriculture Committee is taking time to review the operation of this law.

Public Law 89-808, the Food for Peace Act of 1966, extended the legislation for 2 years, that is, through December 1968, and authorized some very important changes in the program. We were happy to associate ourselves with many of these changes made 2 years ago. We were particularly pleased with the new emphasis on self-help programs for recipient countries. The act of 1966 no longer limits food aid to surplus commodities but encompasses commodities determined to be available by the secretary of Agriculture. Another important feature of the legislation as extended in 1966 is a provision for a transition from sales for foreign currencies to sales for dollars on credit terms at a rate whereby the transition can be completed by the year 1971. We think this a good objective. We would recommend that the legislation insist on the accomplishment of this objective according to the time schedule outlined in Public Law 89-808.

We are very much aware of the balance-of-payments situation facing the United States and we believe that the shifting of this program to credit sales will help improve this situation in the future. We would emphasize, however, that one of the real weapons available to the United States for helping correct this situation is an all-out effort to increase our dollar exports of agricultural commodities.

If I might add here, Mr. Chairman, India, for example, has been one of the largest recipients of this aid under this program. We might give some consideration in this legislation to requiring a percentage dollar purchase of agricultural commodities equal to 10 percent of the concessional sales under Public Law 480. It seems to me that this is about the only way that we will get some of these countries to shift over, and assist in our balance-of-payments problem.

Last year, U.S. agricultural exports reached a new high, totaling \$6.8 billion. This accounted for 22 percent of total U.S. exports. We believe American farmers can play a larger role and we have set our sights on annual agricultural exports of \$10 billion. We believe that in this current year agricultural exports might be increased by one-half billion dollars if proper emphasis is given to this matter.

If I might add, we should give at least as much emphasis to increasing agricultural exports as we are giving to restricting tourist travel. I think that we would do a lot more to solve the balance of payments in that way and not aggravate as many people.

The Public Law 480 program as is currently being administered must be considered as a part of our foreign aid program, and we believe it should be more clearly coordinated with our foreign aid endeavors.

During the 13 fiscal years for which this program has operated, over \$16 billion of U.S. farm products have been exported. This has been a very significant part of our total agricultural exports; however, we believe our emphasis now must be on sales for dollars.

The budget for fiscal 1969 sets the obligation for Public Law 480 at \$1,444,400,000—up \$130 million from the 1968 estimate. However, request for new spending authority is \$918,143,000—down \$687 million from 1968. It is proposed that unobligated balances from previous years will be sufficient to make up the difference. It is our recommendation that sufficient funds be available to keep the program at about the 1968 level, which would be about \$1.4 billion.

I am sure that you are aware in the legislation as extended in 1966 the Bureau of the Budget recommended \$1.9 billion, so it is one-half billion dollars below what the basic legislation authorized.

We recommend that this committee emphasize the purchase of Public Law 480 commodities in the marketplace and that the operation of this program not be overly influenced by the expediences necessary to try to make unworkable domestic farm programs work.

Public Law 480 should:

(1) Be designed to work in harmony with the free market system domestically and to foster expansion of world trade on a commercial basis.

(2) Be designed to reduce the costs of Government farm programs by providing markets instead of subsidy payments and other price support activities for affected commodities—and not just to add another program.

(3) Provide that quantities of commodities to be shipped under the program shall be established and announced far enough in advance to enable farmers to make needed adjustment in production and marketing plans.

(4) Provide that once an agreement is reached on the commodities a given nation is to receive, that nation shall be authorized to select the class, grade, and quality of product; determine the U.S. markets through which purchases are to be made; and make its own transportation arrangements.

(5) Provide that the United States shall not relinquish authority or decisionmaking responsibility to any international agency.

We believe the changes made in the basic program in 1966, if properly implemented, will help accomplish the basic objective of this program and cause it to be shifted to a long-range credit program by the end of 1971. We hope the committee will continue to review the operations of this program in the field and insist on efficient administration.

I think that the changes that you made in 1966, if properly implemented, gives this program the right tone and direction.

We would be happy to try to answer any questions that you might have.

The CHAIRMAN. We thank you, Mr. Lynn, very much for your statement. I think it is a very good statement.

Mr. Zwach?

Mr. ZWACH. Mr. Lynn, in the second paragraph on page 1 of your statement you say:

This basic legislation, enacted in 1954, was a good idea; however, we believe that the achievements under this program in many respects have fallen short of the original intent of the Congress.

Could you spell that out.

Mr. LYNN. I think that if we had administered this program as I am sure you gentlemen envisioned it would be administered, that India would have, by this time, improved her economic situation and her food production, but we have simply continued to give food to India, so to speak, without too many strings attached. I have not had the privilege to be to India as you have.

Based on information, she is not better off than when we started. That is what I have in mind. I think we have been a little loose with the use of local currencies in such situations, and have failed to require her to do some dollar purchases in the United States as she is doing in other countries. This is what I had in mind.

Mr. ZWACH. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. Purcell?

Mr. PURCELL. Mr. Lynn, on the last page of your statement, the No. 2 suggestion:

(2) Be designed to reduce the costs of government farm programs by providing markets instead of subsidy payments and other price support activities for affected commodities—and not just to add another program.

What are you talking about there?

Mr. LYNN. There are several ideas here. I would like for Mr. Harris to help supplement what I am saying.

We think a real job has been done under Public Law 480 in many instances in promoting sales for dollars. Japan is a good example of this. We think that this is the kind of emphasis that should be given to this.

You notice that we recommend the authorization of appropriations at the same level as the current year, because we believe that perhaps this is a better way of spending and obligating the Treasury than some of these programs that do not work, such as under the Agriculture Act of 1965 where you had the compensatory payments aspect. This is what we are trying to say.

Mr. PURCELL. I do not understand what you have said now any better than what you said before.

Mr. LYNN. Why do you not ask your question again, then?

Maybe I can answer it.

Mr. PURCELL. My question was: What do you mean?

Let me say this: What do you want done to bring about the philosophy that you are expressing here?

Mr. LYNN. When you have the hearings on the farm program, we will be recommending that there be a change of emphasis, with regard, particularly, to wheat and feed grains and cotton from the compensatory payment program to some other kind of program. We will express that at that time.

Mr. PURCELL. Farm management production with high-support payments, something like that?

Mr. LYNN. No, sir; I doubt if it will be that. We will have a board meeting next week. We hope to refine this so that it will make better sense. I am sure that it will.

Mr. PURCELL. I hope so. Go ahead.

Mr. LYNN. I do not want to disturb you.

Mr. PURCELL. Then, No. 3:

Provide that quantities of commodities to be shipped under the program shall be established and announced far enough in advance to enable farmers to make needed adjustments in production and marketing plans.

What is it you want done there?

Mr. LYNN. You simply changed the law in 1966 to remove the word "surplus," since surpluses had been greatly reduced, and under Public Law 480 now it is whatever the country desires to purchase can be purchased or handled under Public Law 480. We think that is important for the farmers to know as far in advance as they can in order to meet this requirement out of the market system. We think that this becomes necessary, Congressman Purcell, by virtue of the amendments made in 1966 with which we were in complete accord. In other words, if they want canned tomatoes or horseradish, all we are saying is that we ought to know it in advance so that we can meet that requirement.

Mr. PURCELL. What you are saying is that an effort along that line has not been made—are you saying that?

Mr. LYNN. As long as you simply limited the Public Law 480 to surpluses, it was not as necessary as it seems to us to be, since you shifted the emphasis to other than the surpluses.

Mr. PURCELL. It has not shifted horseradish and tomatoes. They are still using the same commodity. It is just a matter of whether they are in Government hands or whether the farmer has them.

Mr. LYNN. Let us take dairy products as an example. I think, as you know, the surpluses of dairy commodities on hand in Commodity Credit Corporation were greatly reduced last year. Now, if India, or any of these recipient countries are planning—if they desire a large amount of dry skimmed milk, for example—I think that this has got to be programed, and we, as producers, have got to know as far in advance as possible. Whereas, before, we just simply dipped into Commodity Credit Corporation's stocks and got it.

Do you want to add to that, Mr. Harris?

Mr. HARRIS. Yes. Judge Purcell, we have had a certain amount of experience here with this. We gave an awful lot of reasons last year why we were in trouble with regard to dairy products. One of the main reasons was very seldom mentioned, and that is that we had cut back the export programing of dairy products by about 6 billion pounds. We heard an awful lot more about the 1.7-billion-pound increase that was being imported than we heard about the 6 billion pounds that were cut back in the export program.

This last year, fiscal 1967, we cut back the programing of wheat by \$293.5 million. This is going to have an effect, so far as the total domestic supply is concerned—it will have an effect on domestic price obviously.

Mr. PURCELL. As I understand one of the reasons that there was this cutback—not the only one—was that India had not, or could not, or did not come up to the standards of self-help. That was in another point of your statement, something that we could have done had

somebody tried. We established that as a policy or pronounced that as a policy: Certain minimal standards shall be reached before we continue at the rate we are now helping, and then those standards are not reached and your emphasis is on self-help, what do you want us to do if the minimal standards are not reached?

Mr. LYNN. Do not help them.

Mr. PURCELL. Then, you build up a surplus.

Mr. LYNN. I am relating this simply to the attitude of the country which, I think, is completely contrary to the legislation which you gentlemen have enacted.

Mr. PURCELL. Let us assume that it is. We claim that we are correct. This is not nearly as good as they claim it is. We cannot do both. If we are going to have the requirements and try to produce the predicted requirements, what you think you will need, then because the self-help does not come up to our standards you cut them back, and then you come in here and say: "If you will do it our way, it will all work." I do not think it will. I want you to explain to me why it will.

Mr. HARRIS. I am sure, sir, that you would not claim that the cut-back of the dairy products program had anything to do with the self-help program. This is simply a cutback geared to the fact that our supplies had been diminished, and we stopped programing it.

Mr. PURCELL. On wheat, we planned it with the expectation that India and other countries would require the use of the amount of wheat that had been grown. India did not do what we wanted them to do, and so we tended to hold back. Russia and Canada and Australia maybe wanted the wheat themselves. And so we had a surplus or whatever you want to call it, but how are you going to do what you say you want to do and agree that if we do not get some self-help in there, to hold back on it, but by the same token, if you are going to jump on us for having allowed wheat to be produced, I want you to get on one side or the other and stay there.

Mr. LYNN. That is a pretty hard thing to do, I guess.

But another point, in this connection: Somebody used some pretty poor judgment in bringing forth this 30-percent increase in production of wheat this last year. I am not accusing anybody of any bad faith or anything else, but the truth of the matter is that we had reduced our surpluses of wheat down to a manageable level—and on the insistence of this Government we increased our wheat production last year without any foreseeable market for this wheat, and we are right back to where we were 4 or 5 years ago with regard to the surplus. And this is the kind of thing that we would hope to avoid, and I am sure that you would, too, Judge Purcell.

Mr. PURCELL. I certainly would, but we have that situation.

How much increase in wheat acreage should we have added, if anything?

Mr. LYNN. We did not object to the first 15 percent—considering the Vietnam war, and so on. We are not in a normal situation, I am sure we are all agreed, but the second 15 percent did raise a tremendous amount of questions and we registered concern prior to the announcement because we knew it was forthcoming.

Mr. HARRIS. Apparently, at the same time that we were making the decision to expand the wheat production, there was a great deal of talk at the time, as you know, of the expanded need of the world for more food and what have you. At the same time we were expanding the production, we apparently were making plans, at least tentative, to cutting back the export program. What we are suggesting here is not to go one way or the other. What we are suggesting here is that those decisions should be made on a coordinated basis. If we are going to have a cutback in programing in the export field, that should be done far enough in advance and notice given far enough in advance to the domestic producers so that they do not get into difficulty in the supply-and-demand situation. We would like to know, for example, long enough in advance, if we are going to tighten up on the export program, so that necessary adjustments in production can be made.

Mr. PURCELL. Maybe we are both belaboring this. I will say this: I agree completely, except that if you set out the criteria and that is met, you can use your expected production; but if those criteria are not met you get into real difficulty.

Mr. LYNN. You sure do.

Mr. PURCELL. I agree with you on the last statement. I agree with you on the second 15 percent being too much. I want the record to firmly reflect that we do agree on two things, and then I want to ask one more question.

In your point No. 5, you are talking about—"shall not relinquish authority or decisionmaking responsibility to any international agency."

Are you lobbying the States out of the International Wheat Agreement or out of the GATT negotiations?

Mr. LYNN. We have specific reference here to any branch of the United Nations. You know there has been considerable talk over the years of letting the United Nations perform, on a multilateral basis, that which we have been attempting to perform on a bilateral basis under Public Law 480. This is what we have aimed this at, but we will be opposing the International Wheat Trade Convention in the Senate and urge its nonratification.

Mr. PURCELL. Just in case anybody brings up the United Nations you are not for it—on the record?

Mr. LYNN. No; we are not for shifting this responsibility for food aid in these kinds of programs to a United Nations agency.

Mr. PURCELL. I never heard of it, except through you.

Mr. HARRIS. This was discussed very vigorously in Geneva in studying a world food-aid program, and there the question was whether each country would have the authority—to conduct the program or to turn the program over to the world food program which is under the United Nations. It is presently operating at a very small level. We have the United Nations Food-Aid program operating now. The former director of that program is now the director of FAO.

There was active discussion in regard to the food-aid agreement, whether to turn this over to the United Nations as an administered program or whether it would be left with each country, with the authority to administer its segment of the program. The latter decision was finally made by the U.S. delegation in agreement with others.

Mr. PURCELL. Congratulations.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. I have just one question.

Mr. LYNN, in paragraph 4 on page 3, you refer to the fact that the nation purchasing should be authorized to make its own transportation arrangements. Curiously, what do you mean by that?

Mr. LYNN. As you know, there is a 50-50 clause in the shipping arrangement, whereby 50 percent has to go in U.S. bottoms. We have always opposed this.

Mr. KLEPPE. That is what you mean?

Mr. LYNN. Yes, sir.

Mr. KLEPPE. That is all. Thank you.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman and Mr. Lynn, I am a little confused, after Judge Purcell's questioning. I would like to clear up my own mind. Basically, what I thought you said was that the American Farm Bureau generally supports Public Law 480 with the changes that were made in 1966, and you want the changes to stay in the law as it is now, so far as you are concerned, and that it does not particularly need any amendments. Is that generally what you said?

Mr. LYNN. That is generally what we are suggesting here, and we think that if with the amendments which were passed, we are on the right track. One change that we might suggest might be that section 110 of this law ought to be amended to make this an appropriated item rather than a commitment from Commodity Credit Corporation capital, but we will be happy to abide by whatever decision you make on that.

Mr. MONTGOMERY. That brings up another point:

You think that the changes in 1966 cannot properly be implemented at this time?

Mr. LYNN. There is some evidence of that, Congressman Montgomery. The situation that Mr. Jones described is an example in point. We believe that in spite of the situation we find ourselves in, in Southeast Asia, India, and Pakistan, that we could, with the proper persuasion, if you please, solve these problems better through family planning, increasing their own production, and to buy more with their limited dollars here rather than to go to another to buy. We have been pretty easy over the last 13 or 14 years in our negotiations under Public Law 480. I think that we are all very conscious of this. We do not want to be overcritical, but what we are simply saying is that maybe you reflect in your report a need for the tightening up of some of the negotiations.

Mr. MONTGOMERY. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there further questions?

Mr. Dow?

Mr. Dow. I have just a brief question of Mr. Harris.

I am interested a little bit in dairying, and I noticed that you said that it was too widely misunderstood, if I am correct, Mr. Harris, that one difficulty of the dairymen in the past year has been a reduction of exports of dairy products.

I just wanted to have you expand on that a little bit, for my information.

What types of products were curtailed in the recent year?

Mr. HARRIS. Almost all types of our normal Public Law 480 shipments, from butterfat products to dry skim. In 1964, the programing level was slightly over 6.5 billion pounds, as I recall. In 1965, it was reduced to about 1.4 billion pounds. In 1966, the program level on milk equivalent was zero. And when you take 6 billion pounds of milk equivalent out of your exports, then you will have a pretty drastic effect.

Mr. Dow. How did that come to pass; how did that happen? What was in back of it?

Mr. HARRIS. Well, this was a decision upon the part of the Department of Agriculture to stop programing dairy products, basically geared to the notion, apparently, that when you were out of surpluses that that was the time to stop selling. This is not the philosophy that presently is in Public Law 480. We think it is one of the real bad points to get hooked onto it. This is why we emphasize in this statement that products should be acquired from the market and not be geared to whether or not we happen to have a product in storage in the Commodity Credit Corporation stockpile. The program should be continued on the basis of the need and the effective use in the recipient country, and this then starts to have a beneficial price effect upon the U.S. farmer. And this is not to be disparaged; we think this is a good idea.

Mr. Dow. What is the stock now of these commodities held by the Commodity Credit Corporation or the Government today?

Does it look any better?

Is there more in storage than there was?

I am speaking of dairy products.

Mr. HARRIS. Yes. That was the trouble last year. The stocks are building up. We have considerable stocks. I do not have the figures here with me. I can obtain them for you.

Mr. Dow. I would be curious to have them, if you would supply them. I do not know whether they would be needed for the committee, but I would be very glad to have those figures myself.

(The following information was submitted to the subcommittee:)

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., March 4, 1968.

Hon. W. R. POAGE,
Chairman, House Committee on Agriculture,
Washington, D.C.

DEAR MR. CHAIRMAN: During our testimony with respect to Public Law 480, the Food for Peace Act, on February 29, 1968, Congressman Dow requested information with respect to the quantities of dairy products currently owned or controlled by the Commodity Credit Corporation. The information follows:

Quantities of dairy products under price support loan and owned by the Commodity Credit Corporation on December 31, 1967 totaled 423,407,000 pounds. This compares to 384,000 pounds on December 31, 1966; and 163,898,000 pounds on December 31, 1965.

As indicated in our testimony, stocks of dairy products had been virtually eliminated by the end of 1966 but were again built up to substantial amounts in 1967. The breakdown of these figures follows:

[In thousands of pounds]

Item	1967	1966	1965
Butter.....	152,601		32,079
Cheese.....	80,259		444
Milk, dried.....	190,547	384	131,100
Total dairy products.....	423,407	384	153,898

In this context, the relative significance of imports and exports of dairy products was also discussed. These figures for the period 1964-1965 are as follows:

[In millions of pounds]

Year	Imports	Exports		
		Total	Commercial	Noncommercial
1964.....	830	6,874	370	6,504
1965.....	918	1,839	417	1,422
1966.....	2,775	780	780	0
1967.....	2,855	364	354	10

The export figures for nonfat dry milk follow a similar pattern:

[In millions of pounds]

EXPORTS

Year	Total	Commercial	Noncommercial
1964.....	582	352	230
1965.....	522	388	178
1966.....	388	366	64
1967.....	409	390	61

As the foregoing indicates, total exports of nonfat dry milk dropped from 582 million pounds in 1964 to 388 million pounds in 1966. The great bulk of this drop was in the decreased non-commercial programming.

We hope that this information will be helpful to the Committee and respectfully request that it be made a part of the hearing record with respect to the extension of Public Law 480.

Very truly yours,

HERBERT E. HARRIS II, *Legislative Counsel.*

Mr. LYNN. We would be happy to supply them to you.

Mr. Dow. That is fine. I have done a good deal of talking about this. I have spoken about the dairy issue with my dairymen, and they have talked a great deal about it, talking about cutting back of butter imports, and that is where the attention was focused. I am rather surprised that none of them brought up this question, with me anyway, about the declining exports. It concerns me a great deal. I might say that I will delve into it a little more.

Mr. HARRIS. It is interesting to look at those figures.

The imports rose from 900 million pounds to approximately 2.7 billion. It went up approximately 1.8 billion pounds.

Mr. Dow. Higher than that.

Mr. HARRIS. I am giving you the 1966 figures. Then they were going up to a level equivalent of about 3.5 annually.

Mr. Dow. The President took note of that when he said he cut that back to the original.

Mr. HARRIS. To 1 billion.

Mr. Dow. One other question relating to the export of dairy products under the Public Law 480 program. Do we have takers among the other nations, so that if we have dairy products to export, would they be suitable for import over there?

In other words, there is no bottleneck on that end of it, I might take it?

Mr. LYNN. I do not think so, sir. Some of the complaints that we have had from some of the recipients of the dairy commodities is the fact that they are unable to do long-term programing. In other words, if you establish a reconstituted milk program as part of your school lunch program in South Korea, for example—this is the one I have reference to—you have got to be pretty well assure of a consistent supply over a period of time, and this is one of the points we have in mind here. We do not think that a lot of people have caught on to the fact that we changed this law from a surplus disposal law to a law to provide the commodities that these people want irrespective of whether it is surplus or not.

Mr. Dow. Are there any religious scruples over there about using butterfat products; that is, in the Arab countries, or in India?

Mr. LYNN. We do not think so.

Mr. HARRIS. We have heard about religious scruples on a lot of different products, on different food products, but I do not recall any on dairy products.

Mr. Dow. I want to thank you gentlemen. It has been very interesting.

The CHAIRMAN. Are there any further questions of Mr. Lynn?

Mr. Gathings?

Mr. GATHINGS. I have just one thing in mind, Mr. Chairman.

You recall that in 1966 Mr. Dole, of Kansas, suggested what is known as the farmer-to-farmer program. It was not a part of the act at that time. From your testimony here today your organization is for retrenching. Do you feel like you would want to increase the amount of funds in the budget for the furtherance of this program another year?

Mr. LYNN. Our recommendation was to keep it at the operating level such as we currently have. We have established a farmer-to-farmer program as a part of the Farm Bureau program. No; we have no objection to continuing to promote this, because we think it is a good idea.

Mr. GATHINGS. It has not been implemented?

Mr. LYNN. Not to the extent that it might be. We are carrying on without any governmental assistance a farmer-to-farmer program that we think is going to prove very helpful. The cooperators are now Mexico and Japan, but we hope to spread it out even further.

Mr. GATHINGS. How much does the project cost in Mexico and in Japan? Do you recall what it is?

Mr. LYNN. No. The cost is in the neighborhood of about \$100,000 a year. I would not want to be held to that figure, because I am not directly concerned with it, except as a concept, but we feel that this is good money spent. This farmer-to-farmer program can be used as a very effective trade promotion program.

Mr. GATHINGS. That is quite different from what Mr. Dole had in mind, which was an Extension Service facility—

Mr. LYNN. Yes.

Mr. GATHINGS (continuing). In the bill that was passed.

That is all.

Thank you.

The CHAIRMAN. Thank you.

I want to discuss with you and not argue with you, about your suggestion No. 4 on the last page.

It looks to me like that is a dangerous proposition, particularly as it relates to cotton with which I am little better acquainted than I am with some other commodities.

If we made an agreement with a foreign nation to take 100,000 bales of cotton and just leave it there, would we not enter into a dangerous agreement where they might take what they need, of a variety which we need at home, whereas you might have 100,000 bales of another quality that might not be needed and not desired and you would not be able to sell it?

Mr. LYNN. I guess we did not make this completely clear, Mr. Poage. We had in mind that in the initial agreement that it would indicate the kind of cotton they wanted, rather than our saying to them: "You can only have $1\frac{1}{16}$ inch, because that is what we have the most of."

The CHAIRMAN. In other words—

Mr. LYNN. If they wanted $1\frac{1}{16}$ -inch cotton, and we put that in the agreement, we would be for that.

The CHAIRMAN. In other words, you mean no matter what our situation is at home, even if they wanted $1\frac{1}{16}$ -inch cotton, that you would be in favor of selling them that $1\frac{1}{16}$ inch?

Mr. LYNN. Yes, sir.

The CHAIRMAN. Without trying to bargain them into buying seven-eighths?

Mr. LYNN. I would not go quite that far under the example that you give. I hope right here that we think that the amendment in 1966 was to go into the market system and that anything we can do to strengthen the market system should be done.

The CHAIRMAN. Do you not presuppose that you are getting paid in something of comparable value to the United States? Is that a valid assumption?

Mr. LYNN. We believe that the spirit of the amendment in 1966 was moving in the direction of a credit program rather than accepting local currencies as a step in the right direction.

The CHAIRMAN. I think that is true, but when we make a deal, the commodity has to move.

Mr. LYNN. We would not argue with you on that point, Mr. Poage. We would hope that this would be emphasized in the initial negotiations of some of these longer term contracts.

The CHAIRMAN. I do, too.

Mr. HARRIS. This is a change of course in the concept, a change from the surplus program to a food and fiber aid program. Obviously, in the case of cotton where we might have a strong surplus situation in one particular kind of cotton, the decision made is still geared to the surplus proposal concept rather than the food and fiber aid concept. As you move into an area, it may not be in surplus products, then, of

course, you move into giving the incentive to the production of that type of thing that the people want.

The CHAIRMAN. I think I understand that philosophy.

It seems to be that the problem is getting too complicated in what you assume has happened.

Mr. HARRIS. This may apply more to food aid than fiber aid.

The CHAIRMAN. If there are no further questions, we are very much obliged to all of you gentlemen. We appreciate your attendance.

The committee stands adjourned.

(Whereupon, at 12:10 p.m., the committee arose.)

EXTENSION OF PUBLIC LAW 480

WEDNESDAY, MARCH 6, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to call, at 11:15 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Abernethy, Abbitt, Purcell, Foley, Jones of North Carolina, Dow, Nichols, Montgomery, Rarick, Belcher, Teague of California, Mrs. May, Dole, Miller, Mathias, Mayne, Zwack, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; and Fowler C. West, assistant staff consultant.

The CHAIRMAN. The committee will come to order for the further consideration of the extension of Public Law 480.

We have at this time a bill by Mr. Purcell on this subject, H.R. 15693, to extend the law for the next 3 years.

Our first witness this morning is our former colleague who is now with the Foreign Affairs Committee. We are delighted to have you back, Paul, and we will be glad to hear from you now.

Paul Findley is a former member of our committee and presently is a member of the Foreign Affairs Committee of the House.

(H.R. 15693, introduced by Mr. Purcell, follows:)

[H.R. 15693, 90th Cong., second sess.]

A BILL To extend the Agricultural Trade Development and Assistance Act of 1954, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Trade Development and Assistance Act of 1954, as amended, is extended by striking out "December 31, 1968" in section 409 and substituting "December 31, 1971".

The CHAIRMAN. We are glad to have you with us.

STATEMENT OF HON. PAUL FINDLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. FINDLEY. Thank you very much, Mr. Chairman and members of the committee, for this opportunity to present views concerning the proposed extension of the food-for-peace program (Public Law 480).

In the hearings on Public Law 480 about 2 years ago, Agriculture Secretary Orville L. Freeman observed that "while we had dispensed \$15 billion in food aid since 1954, the world, as far as food needs were

concerned, was worse off than before we began the food aid programs." Since then the United States has spent approximately \$3 billion more in food gifts overseas. While wheat and rice variety experiments are promising and weather conditions have been excellent this past year, Mr. Freeman's generalization of 2 years ago still holds true.

The danger of famine in vast areas is growing—not receding—and this fact should cause the Congress to ponder whether Public Law 480 has been wisely formulated. I therefore congratulate this committee on undertaking these hearings and encourage you to make a special effort to call witnesses who are completely free of vested interest in continuing the program along present lines. Spokesmen for producer groups and the executive branch can hardly be expected to give appraisals which are completely detached from self-interest.

My first suggestion is that title I authority should be phased out completely.

The true character of title I transactions—soft- and hard-currency alike—is so obscured in the mysteries of the monetary jungle as almost to defy comprehension except in the top echelon of the Foreign Agricultural Service of USDA. In fact, it has occurred to me that the terminology may actually be a conspiracy against public understanding.

I draw your attention to the document which I have in my hand right now which should have reached each of your desks on or about March 5. It outlines a proposed title I agreement. It is carefully labeled "For official use only until agreement is signed," so I cannot in this open hearing identify the country or give details. When you examine it, if you have not already, I am sure you will agree that it is hardly designed for quick comprehension.

Careful analysis, however, shows that only 20 percent of the transaction is repayable in dollars, and on this the interest rate is only 2 percent for 10 years and $2\frac{1}{2}$ percent for the balance—30 more years. No installment on principal is due for 10 years. Then 31 annual payments commence.

Most of the other 80 percent is used to finance various programs benefiting only the local government.

From the standpoint of the local government, this transaction is regarded as a purchase. From the standpoint of our Government, it is regarded as a sale.

Some purchase! Some sale! The so-called hard money part has terms so unbusinesslike and truly ridiculous as to raise serious question whether principal payment will ever occur. The next generation may well object to paying their grandparents' 40-year-old grocery bills.

The payment in soft money is payment only in the loosest use of the word. A small portion may be spent for U.S. local purposes, and some of the loans may at some distant date become dollars. However, because the transaction is explained as a purchase by the local government, local officials can—and do—get by with selling, not donating, the grain to local people. Because it is explained as a sale by the United States, U.S. producers and other taxpayers, for the most part, feel good about it. Most Americans who are aware that the transactions in reality amount to donations don't object because they mistakenly think the grain is given to destitute people. (50)

My suggestion: Let's phase out the whole title.

In 1968, about \$1.4 billion will be spent under this title. I suggest that only \$1 billion be authorized for 1969, and only \$500 million for 1970. Shipments to each recipient country would accordingly be stepped down proportionately each year.

In addition, I suggest that \$500 million be authorized for each year under title II. This would enable the President to meet emergency situations through donations directly to the local government, or through private charitable distribution.

By this means, in 2 years unbusinesslike deals which effectively conceal subsidies and fool the public at both ends of the transaction would be ended. After 1970, local governments would then have the choice of purchasing grain requirements on a businesslike basis through private channels or Commodity Credit Corporation short-term credit sales—or accept donations.

Inasmuch as both Pakistan and India now talk optimistically about being self-sufficient in grain production by 1971, this would give them added incentive to press forward to that goal. For our part, the United States would not foreclose action to meet humanitarian needs because the title II authority would remain.

This approach has the further advantage of reducing the uncertainty that has attended Public Law 480 transactions in recent years. On-again, off-again pronouncements extending over weeks and months contributed to sharp declines in wheat prices this past year.

Farmers and merchandisers could plan with greater assurance on overseas requirements because the unpredictable impact of political decisions would be quickly reduced to a minimum.

My second suggestion is that this committee consider revising the legislation to unfreeze U.S.-owned local currencies to the maximum extent possible. My recommendation is that every Public Law 480 transaction, whether under title I or title II, contain a requirement under which the local government must unfreeze all U.S. holdings of local currencies—no matter what the origin—and make these available for purchase by U.S. visitors.

Data supplied by committee members under date of March 1 by the Department of State shows that the United States owned a grand total of \$2,259 million in local currencies in 65 different countries on last July 1. In only seven of these can U.S. visitors now use dollars to purchase such currencies.

In view of our monetary plight, all such countries should be required to unfreeze U.S.-owned currencies as a condition of further assistance from U.S. taxpayers.

The same State Department communication contained a copy of the promotional brochure intended to show how U.S. visitors to those seven countries can utilize the program. Clearly, in each country travelers must find the American Embassy and do so within limited hours Monday through Friday. No sales are made on Saturdays or Sundays.

I hope this committee can effectively encourage the executive branch at long last to promote this program adequately and expand it. Travelers should be able to purchase the currencies at points of embarkation or at least at points of arrival in the country. Service should be available at all hours that terminals are busy. Carriers should be encouraged to accept local currencies in payment.

By all means, the tourist-dollar exchange program which I have been discussing here should be inaugurated promptly in the 21 additional countries where it needs only U.S. approval to be underway, that is, in these seven countries.

Since the program was initiated as the result of an amendment I offered in 1962, U.S. visitors and foundations have purchased over \$7 million in local currencies, but this was only a fraction of the program's potential mainly because our Government had not promoted it imaginatively.

My third suggestion is to break up the near monopoly in overseas grain business. My recommendation is that the legislation limit to 10 percent the volume of Public Law 480 business which any single firm—including its subsidiaries, local or foreign—can handle.

Last year a subcommittee of the Government Operations Committee reported that four firms—Continental, Dreyfus, Cargill, and Bunge—handled 75 percent of all grain exports. Public Law 480 wheat was, of course, the biggest single item.

This committee might usefully find out the extent to which the Big Four dominated Public Law 480 business, why this was so, and thereby determine the extent to which Public Law 480 has promoted monopolistic conditions in overseas grain merchandising.

The CHAIRMAN. Thank you very much, Mr. Findley. We appreciate your suggestions here. In connection with that last suggestion, I just wonder what the percentage is of the domestic consumption business that is done by these four firms.

Mr. FINDLEY. I do not know.

The CHAIRMAN. They do about the same percentage of our domestic business as they do of our export business, do they?

Mr. FINDLEY. It could well be. I must say that I have had expressions from a number of the country elevators and other merchandisers of grain in my State expressing great concern about the growth in importance of the Big Four in domestic merchandising, too.

The CHAIRMAN. I do not want to take up any time, because we must hurry on.

Are there any questions of Mr. Findley?

If there are no questions, we are very much obliged to you, Mr. Findley, and hope you will always feel free to come back here. We are glad to have you.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Our next witness is Mr. Robert G. Lewis.

We will be glad to hear from you now.

STATEMENT OF ROBERT G. LEWIS, CONSULTANT, WASHINGTON, D.C.

Mr. LEWIS. Mr. Chairman, I am Robert G. Lewis. I have worked for a number of years in the Department of Agriculture in various positions related to farm programs, international trade, and economic development. Recently I completed a special consulting assignment with the Agency for International Development in which I studied food and agricultural problems at firsthand in India. I am now a consultant on these matters in private practice in Washington. I have been commissioned jointly by a group of the Nation's leading farm organizations, agriculture commodity associations, and farm product manu-

facturing and merchandising firms to conduct a study to develop a proposal for expanding the use of U.S. farm commodities for food for peace. I am grateful for the opportunity to appear here today.

Mr. Chairman, I was impressed by your statement on February 20 at the Conference on the World Food Crisis, that you hope in your committee's consideration of legislation to renew the food-for-peace program this year, to find ways whereby it can contribute more effectively to solving the problem of the balance of payments of the United States. I have a proposal to suggest here today which I believe will do this. In addition, I believe it would make it possible for the United States to increase its shipments of farm commodities under the food for peace program, without increasing the overall net costs to the Government of the United States.

Before getting to the proposal itself, I would like to review briefly the extent of world need for increased food consumption, and the interests of farmers in the United States in securing an expansion of the food-for-peace shipments.

Half a billion people on earth today, nearly one out of five, need more food than they can get to eat. These hungry people, plus twice as many more, adding up altogether to half the human race, need to have more high-quality food in their diets in order to overcome the health-destroying, energy-depleting effects of malnutrition.

The main obstacle to using more of America's abundant food resources to meet this need has been the cost to the U.S. Government.

At present, food-for-peace shipments are sold for the currency of the importing country, and some are donated outright. The importing country currencies that are paid for the food can be spent only within the importing country, and in the main only by the U.S. Government. The commercial trading firms that export the food are reimbursed by the U.S. Government in dollars for the value of the food shipped, and the U.S. Government takes possession of the foreign currencies. In some countries, large amounts of these currencies in excess of the needs of the U.S. Government are kept "frozen" in its bank accounts within the importing country, unused and unusable.

In these circumstances, it is somewhat cheaper for the U.S. Government to reduce its food production by paying farmers to withhold some of their cropland from production than it would be to ship the equivalent additional quantities as food for peace. At present these payments to reduce farm production amount to 60 percent or more of what it would cost to deliver an equivalent quantity of the commodities as food for peace to hungry people overseas.

"COST BARRIER" HURTS U.S. FARMERS

The whole Nation's interest in human compassion, and in world economic and social development, is damaged by the "cost barrier" against making greater use of food for peace. Although the farmers' interests are more specific and more direct, their stake merely parallels that of the general public. Recent experience has shown how this cost barrier reduces the sale of food-for-peace shipments, with the parallel result of price and income disadvantage to U.S. farmers.

The "cost barrier" is probably the central reason that the slump in farm prices in late 1966 and in 1967 was not reversed by shipping greater quantities of food to hunger areas. More food was needed,

and more was wanted, and more could have been used constructively. There was famine in the world for the first time since World War II, threatening millions of human lives in India. But the unexpectedly large grain supplies were permitted to burden the commodity markets, thus depressing farmers' prices and incomes in the face of vast unmet real needs for food.

The delayed action effect of this "cost barrier" needs to be explained for a full understanding of how it promotes the shrinkage of food for peace.

If the wheat and corn and sorghum grain and soybean oil that burdened domestic and world markets in 1967 had been drawn upon for increased food-for-peace shipments, reserve stocks would have needed to be rebuilt in 1968. The Government cost is less to let the 1967 surplus remain to hang over the market and to pay farmers to withhold more of their cropland from production in 1968. Moreover, this also allows the cost to be postponed. The lower-cost-and-later-cost road is usually the path of least resistance, and that is the route that is more likely to be followed in Government, regardless of what administration may be in power. The peak of \$1.9 billion in the value of food for peace that was shipped from the 1956 crop has never been equaled since. Large-scale programs to pay farmers to withhold cropland from production have been favored since then for controlling surpluses.

This has been a route that spirals downward, relatively if not absolutely, for the farmers and for the hungry. Food-for-peace shipments are becoming smaller in relation to world need, in relation to total U.S. farm production, in relation to total U.S. Government spending. Farm prices are lower in relation to farmers' costs and in relation to the prices of other goods and services. Farmers' incomes are lower in relation to total national income. And as long as the "cost barrier" stands against greater use of food for peace, the path of least resistance probably will continue to lead toward resisting the needs of the hungry, toward constricting the use of food for peace.

BREAKING THROUGH THE "COST BARRIER"

If a way can be found to break through the "cost barrier," the downspiral in the use of American farm products as food for peace can be reversed.

Suppose that shipping more food for peace in 1966 and 1967 would have saved money for the Government, instead of adding to its costs. The path of least resistance for the Government then would have been to say "Yes" instead of "No" to the hungry, and to the farmers. The Government's innate bias toward the low-cost choice would have coincided with and reinforced all the other considerations that argued for expanding the shipments of food for peace. It would have shifted the initiative toward exporting more food and away from the choice to preserve burdensome stocks so as to minimize the Government's replacement costs. Human hunger could become a far more active factor in demand, which it ought to be. The opportunity to make "soft currency" sales would have the same kind of appeal, although in smaller degree, that regular commercial business does.

And for the long run, supplying a bigger market today with generate a still larger market for tomorrow. If only food for peace can break through the "cost barrier," it can turn the farm and food economy onto an upward spiral, toward a future in which demand will rise in closer harmony with rising human need, and in which food for peace can play the larger role in world economic development that recent studies indicate it can and should.

I wish to propose an amendment to Public Law 480 that would make it possible for the United States to ship larger quantities of food for peace without increasing overall costs to the Government.

The key principle of my proposal is that ways are devised whereby the U.S. Government could recover at least the additional costs that would be required for shipping farm commodities for use in hungry countries overseas, as compared to the costs of payments to farmers to not produce an equivalent volume of the commodities.

This is not as difficult a feat as it might seem to be. The key fact is that the U.S. Government, under the Farm Act of 1965, is already obligated to pay 60 percent or more of the cost of the potential food-for-peace shipments whether they are ever produced or not. Uncle Sam needs only to get as little as 40 cents or less on a dollar's worth of food for peace to break even.

The estimate of 40 cents as the break-even point, as compared to the cost of paying farmers not to produce, is from the Department of Agriculture. My own investigations indicate that the break-even point may be considerably lower.

The United States has been a great trading nation. Surely it is not beyond American ingenuity to devise ways by which food can be sold in a hungry world when its cost can be as little as 40 cents or less for a dollar's worth.

The proposal is:

That a new type of transaction be authorized under title I of Public Law 480, through which:

First, the local currency proceeds from sales of farm commodities would be sold by the U.S. Government, at competitive rates, to private individuals or firms, for restricted uses within the importing country.

Second, the purposes for which the use of such currencies would be permitted would be specified in the sales agreement between the governments of the importing country and the United States. General objections would be to avoid disruptive effects upon the economy of the importing country, and interference with usual marketing of farm commodities within the importing country by the United States and other exporters.

Third, as a general rule, the uses which would be permitted would be those which would result in substantial increases in employment in the importing countries. New consumer buying power that is generated by creating jobs for the unemployed and underemployed in poor countries is used primarily to buy food, and a little clothing. This increased demand for food would be offset directly by the food imported, so that the overall economic impact would be noninflationary.

Fourth, the agreed purposes would stress also economic development, capital formation, and export development, thus contributing directly to the longrun ability of the country's economy to pay for its imports on fully commercial terms.

At present, title I of Public Law 480 authorizes sales of farm commodities for local currencies, but such currencies cannot be resold to private individuals or firms. It also authorizes sales for local currencies with provision for repayment in dollars over a long term.

Unlike either of these present methods, this proposal would enable the U.S. Government to realize some immediate return in dollars or other hard currencies on concessional sales of surplus commodities.

This would improve the balance-of-payments situation of the United States to the extent that the local currencies that were offered for sale would be purchased by investors from other countries.

Moreover, it would enable American citizens to make investments in developing countries without affecting the U.S. balance of payments adversely.

SUGGESTED USES FOR LOCAL CURRENCIES

Here are some illustrative uses that should be permitted of the local currencies that would be sold to private interests at competitive rates:

First, for the purchase of bonds issued by the municipal or other governmental units of the importing country for financing labor-intensive public works, including basic public capital such as roads, water, and sanitation facilities, school buildings, and the like.

Second, for specified types of business investment within the importing country, particularly such as would result in generating maximum employment of labor in the construction or operation or both of new facilities. As a usual rule, investments of local currencies purchased under the proposed program would need to be accompanied with some dollar or other hard currency investment as well.

Third, for the purchase of specified labor-intensive goods for export to the United States and other markets.

Fourth, for use by tourists for purchases of goods and services in the importing country in addition to the amounts they normally would spend.

Fifth, for use by students from the United States to cover all or part of their room and board and other consumption expenses while attending colleges or universities or engaging in research work in the importing country.

JOBS NEEDED FOR THE HUNGRY

The need to increase employment in most of the developing countries is of such critical importance as to deserve special emphasis.

As many as one-half or more of the working-age population have no jobs, or are so severely underemployed that they earn and produce almost nothing of value, in many of the populous underdeveloped countries today.

Providing jobs for their enormous and swiftly growing populations is the most urgent immediate problem of the underdeveloped countries.

As a corollary, making use of this vast human resource is the greatest realizable opportunity that exists in the underdeveloped countries. There is, in all of these countries, a tremendous need for elementary public capital of all kinds: For waterworks—for irrigation, household use, and industry; for sanitation facilities; for roads and bridges and culverts; for school buildings, and so on. These facilities can be

constructed by labor-intensive methods, using materials that are locally available in most areas.

The opportunity, in short, is to use our "surplus" food and fiber to transform the underused labor resource—comprised all too often, of human beings who are too malnourished to work effectively or to think creatively—to transform the underused labor resource into useful public capital that will provide the needed basis for further economic development. If American investors—or Frenchmen or Germans or Englishmen or anyone else—can be persuaded to pay only as little as 40 percent, or even less, of the face value of local government bonds for financing public works projects in the developing countries, then the United States could furnish its "surplus" food to make such projects possible without adding to its regular budget costs. If private investors will pay more than 40 percent, perhaps only more than as little as 10 or 20 percent, then the U.S. Government can actually cut its regular budget costs.

I believe in some countries it might be possible to sell these local currencies at relatively small discounts, only a few percentage points below the official exchange rate.

Providing jobs for the enormous and swiftly growing populations of the less-developed countries is vitally important to the United States, as the world's greatest food and fiber exporting nation.

For the farmers of America, providing jobs for the enormous and swiftly growing populations of the less-developed countries is the only hope there is on earth for escape from the depressing burdens of "surplus" agricultural production capacity. Shifting this "surplus" from the commodity warehouses, where it was visible during the 1950's, back into vast acreages withheld from active production, does not escape its depressing burden upon farmers' prices. The experiences of 1966 and 1967 proved that: The "surplus" above ground was gone, but the "surplus" below ground squelched the farmers' hopes for prosperity.

NEW SALES METHOD NO "CURE-ALL"

It needs to be stressed that the new method proposed here for selling food and fiber under Public Law 480 is by no means claimed to be a substitute for other farm adjustment and foreign aid programs, nor even for the present sales methods authorized in title I.

This is merely an extra tool—a tool that shows much promise for contributing to the overall task of feeding the hungry, and stabilizing and improving the American agricultural economy. A general framework of farm adjustment programs will be needed for some time to come.

The proposed new authority would simply give to the U.S. Government program administrators, both a mandate, and a license, to engage in more aggressive efforts to sell U.S. farm products.

As a matter of fact, it is a kind of reciprocal bargain sale trading scheme, that we would engage in with the less-developed countries.

We have a "surplus" of food and fiber that we can't sell at the full price. We can cut our costs, however, if we can get only as little as 40 to 20 cents, or possibly even less, on the dollar's worth.

For their part, the less-developed countries have a "surplus," too, of unemployed and underemployed people. Partly because of tariffs and other barriers to trade, they can't earn enough to pay us the full price

for our extra food and fiber, notwithstanding the urgency of their need. But possibly they can earn enough to pay something—perhaps enough to bridge the gap between what we would have to pay our farmers for producing less next year, and what it would cost us to ship them the extra food and fiber this year. Perhaps they might be able, after a while if not immediately, to pay even more than the break-even difference in costs.

It is only fair to say also that there is likely to be resistance to this kind of transaction from some of the less-developed countries.

Some governments would prefer to go on as they have in the past, selling the food and fiber that is imported under title I in their domestic markets, and using the proceeds for meeting regular expenses of their governments, instead of raising the needed revenues through taxes. Objections on such grounds should be accepted only rarely, if ever, by the U.S. negotiators.

Some developing country governments might balk at allowing their currencies to be sold at a discount even for strictly limited purposes that would not undermine the value of their currency for normal trade. U.S. negotiators, in such situations, should apply their best talents as salesmen to persuade the potential buyers of the benefits that such transactions would accord to the country and its people. This would enable us to sell more farm commodities which would enable the people of the developing countries to consume more food and fiber.

Some developing country governments might balk because of pressure from their own farmers. Governments of other countries that export farm commodities also might protest. However, the proposed new type of title I transactions would afford no disadvantage either to the farmers of the importing country, or of other exporting countries, because these transactions would create directly the additional demand for food and fiber that would absorb the added supply. In fact, the proposed new type of transactions would be considerably more defensible on these grounds than the present types.

ADVANTAGES FOR ALL CONCERNED

To summarize, this proposal would make it possible for the United States to ship larger quantities of "Food for Peace" without increasing the overall costs to the Government.

This would achieve these outstanding advantages:

First, the U.S. balance of payments would be better off, because some immediate return in dollars and other "hard currencies" would be realized from title I sales of American farm commodities.

Second, U.S. taxpayers would be better off, because smaller Government expenditures would be sufficient to maintain a given level of farm prices and incomes.

Third, U.S. farmers would be better off, because, at a given level of Government expenditures, the demand for farm commodities could be increased, and farm prices and farmers' incomes would be strengthened accordingly.

Fourth, U.S. farmers would be better off also because the proposed program would help to build permanent commercial markets for American farm products. If American farm products are kept out of these developing markets through the operation of diversion programs,

market development will proceed much more slowly, and farmers in other countries will enjoy a "head start" in serving them.

(The Government payments to farmers for diverting cropland from production are substitute income, which merely replaces in whole or in part, the income that the farmer would earn from the land taken out of production if instead he were to grow and to market a crop. This substitute income is subject to the year-to-year uncertainty of the willingness of Congress and the executive branch to appropriate the funds needed to maintain farm prices and incomes at desirable levels.)

Fifth, the hungry countries would be better off, because they could obtain additional quantities of needed food, thus making it possible for their now-undernourished citizens to work productively, and to prevent the physical and mental retardation of their children that is now being caused by malnutrition.

Sixth, the farmers of the hungry importing countries, and of other food and fiber exporting countries, would be better off, because the progress would insure that there would be an immediate increase in food and fiber consumption to offset the increase in food and fiber imports, thus protecting normal markets and price levels.

Seventh, the whole world would be better off, because total world consumption of food and fiber would be increased, thus improving the level of human physical and mental health and well-being, and increasing the amount of productive work done to promote economic development. This alone can lead to real ability-to-pay on commercial terms for future food and clothing and other needs.

(The table attached to the prepared statement submitted by Mr. Lewis are as follows:)

COSTS TO U.S. GOVERNMENT OF PAYMENTS TO FARMERS FOR WITHHOLDING CROPLAND FROM PRODUCTION, COMPARED TO EXPORTING EQUIVALENT QUANTITIES OF WHEAT OR FEED GRAINS UNDER TITLE I, PUBLIC LAW 480, 1962-66

	1962	1963	1964	1965	1966
Total acres diverted under Government programs (millions).....	64.8	55.7	54.9	55.9	62.5
Total payments to farmers on condition of diverting cropland from production, excluding wheat certificates (millions).....	\$1,440	\$1,382	\$1,541	\$1,638	\$2,341
Total cost to U.S. Government to export wheat under title I, Public Law 480 (dollars per metric ton) ¹	\$83.38	\$88.89	\$86.69	\$73.84	\$76.66
Production of wheat on all diverted acres, assuming yields of two-thirds national average (million metric tons).....	29.5	25.5	26.2	27.3	29.8
Cost of payments for diversion, per metric ton of assumed production of wheat.....	\$48.81	\$54.19	\$58.82	\$60.00	\$78.56
Cost of payments for diversion as percent of cost to export wheat.....	59	61	68	81	102
Total cost to U.S. Government to export feed grains at ratio of 2 corn to 1 sorghum under title I, Public Law 480 (dollars per metric ton).....	\$49.51	\$50.70	\$52.68	\$54.20	\$54.09
Production of feed grains on all diverted acres, assuming two-thirds national average yields of grain crop diverted or of most productive grain alternative (million metric tons).....	47.9	42.5	42.9	51.4	56.8
Cost of payments for diversion per metric ton of assumed production of feed grains.....	\$30.06	\$32.52	\$35.92	\$31.87	\$41.21
Cost of payments for diversion as percent of cost to export feed grains.....	61	64	68	59	79

¹ Export prices f.o.b. Gulf ports, No. 2 HW (ORD) wheat, 1967 World Wheat Statistics and Review of the World Wheat Situation, 1966-67, International Wheat Council, 28 Haymarket, London, United Kingdom, plus export payment, as reported by USDA.

Sources: U.S. Department of Agriculture data.

10-YEAR CHANGES IN TOTAL AND HUNGRY POPULATIONS

[Numbers in millions of persons]

Region	Number		Increase	
	July 1955	July 1966	Number	Percent
Less-developed world:				
Latin America.....	187	253	66	35
All Asia, less Japan and mainland China.....	824	1,059	235	28
Mainland China ¹	602	710	108	18
Africa.....	248	318	70	28
Total, less-developed regions.....	1,861	2,340	479	26
Total, less-developed regions, excluding mainland China.....	1,259	1,630	371	30
Estimated number of persons hungry (not sufficient food quantity), excluding mainland China.....	252	326	74	30
Estimated number of persons malnourished (not adequate food quality), excluding mainland China.....	755	978	223	30
Economically developed world:				
Northern America (United States and Canada).....	184	217	33	18
Europe.....	407	449	42	10
U.S.S.R.....	198	233	35	17
Japan.....	89	99	11	9
Oceania.....	14	18	4	28
Total, developed regions.....	892	1,016	124	13
World total:				
Population.....	2,753	3,356	603	22
Estimated number of persons hungry (not sufficient food quantity).....	413	503	90	22
Estimated number of persons malnourished (not adequate food quality).....	1,300	1,600	300	22

¹ Population data for mainland China are from official United Nations sources. Unofficial estimates for 1966 range from 70 to 950 millions.

Sources: Population Reference Bureau, Washington, D.C., and "The World Food Problem," report of the President's Science Advisory Committee, vol. II, the White House, May 1967. (Estimates of hunger and malnourishment, based on the latter, are imprecise.)

ADEQUACY OF NUTRITION BY LEVELS OF INCOME, RURAL SOUTH INDIA, 1958

Item	(A)	(B)	(C) ¹
	Status of 77 percent of rural population, South India	Approximate level of income, common laborers in public works	
Per capita expenditures for food per month.	0 to Rs8 (0 to \$1.06).	R\$8 to R\$11 (\$1.06 to \$1.46).....	R\$24 to R\$34 (\$3.19 to \$4.52).
Calories consumed per capita per day.	1,120.....	1,560.....	2,530.
Daily per capita reference standard, calories.	2,300.....	2,300.....	2,300.
Protein consumed per capita per day (grams).	31.....	45.....	72.
Daily per capita reference standard, protein (grams).	60.....	60.....	60.
Per capita consumption as percent of daily per capita reference standard:			
Calories.....	48.....	68.....	110.
Protein.....	51.....	75.....	120.
Family (6 persons) expenditures for food, per month.	0 to R\$48 (0 to \$6.38).	R\$48 to R\$66 (\$6.38 to \$8.78).....	R\$144 to R\$204 (\$19.14 to \$27.12).
Total family (6 persons) income per month, assuming 90 percent used for food at incomes under R\$100 per month.	0 to R\$53 (0 to \$7.05).	R\$53 to R\$73 (\$7.05 to \$9.71)....	R\$160 or more (\$21.28 or more).
Increase in calories consumed above lowest income level (col. A).		39.....	126.
Increase in protein consumed above lowest income level (col. A).		45.....	132.

Sources: "The World Food Problem," vol. II, Report of Panel on the World Food Supply, President's Science Advisory Committee, the White House, May 1967, pp. 43-44. World Food Budget, 1970, Economic Research Service, U.S. Department of Agriculture, October 1964.

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

The Chairman had heard of this before. I think it is a most interesting suggestion. I am not at all sure that I understand all of the ramifications of the suggestions, but I think it is certainly worthy of consideration.

I was wondering, Mr. Lewis, if you have some idea as to the effect such a program would have on the commercial market?

I am always disturbed about moving substantial quantities of food and fiber, as to what it does to our world market. What is your opinion as to moving substantially more food under the terms that you suggest?

If you do that, what is it going to do to the commercial movement of wheat? What will it do to the commercial movement of cotton or any other commodities?

Mr. LEWIS. Mr. Chairman, I think that this depends entirely on the faithfulness of the program's administration in terms of insisting that additional consumption be generated to accompany the additional supply.

The CHAIRMAN. Well, now, we have tried to do that time and again, and in the past we have gone into all of this about additionality, and for all of those statistics of additionality I would give you just exactly what the water in this glass is worth and absolutely no more, because that additionality means nothing in the world except that somebody wrote a report, and I can get a report of additionality in France or in Japan or anywhere else in the world. That is pure buncombe of the worst kind. I am not going to rely upon those statistics from anybody.

I do not mean to criticize anybody in that respect, but those statistics are just like getting a prescription for a cold in prohibition days.

Mr. LEWIS. Let me illustrate by my own observations, Mr. Chairman.

Last fall, I saw with my own eyes thousands of people who are eating at a level of about two-fifths the amount of calories that are considered by the United Nations and by the United States as an adequate calories level, to provide enough energy for a full day's work. These people are eating much less than they need and much less than they want. They cannot perform a day's work on that kind of a diet of 1,000 or 1,500 calories. If those people are put to work moving dirt, moving earth to build roads, they need more calories going through their alimentary systems to generate the human energy to do that work. If they are paid 20 or 30 cents a day for that kind of labor, they will spend, according to the United Nations studies, 90 percent and more of their wages to buy food.

I think that this proposal, by attaching positive links to the creation of employment, putting the people to work who otherwise would not eat enough, can provide a much more positive assurance of additionality than the other kinds of programs have.

The CHAIRMAN. In other words, you would not want to extend this on somebody's statistics on additionality but on somebody's assurance that money will be expended only to employ labor?

Mr. LEWIS. I would say, Mr. Chairman, that the currencies that are sold at a discount under this program should be put into a bank account that could be drawn upon only upon a satisfactory showing to the importing country government and the United States that it was being spent in accordance with the terms of the agreement, which would be for labor—intensive employment, to hire people to put them to work.

The CHAIRMAN. You make a good argument there. Although, I happen to remember that when we first began sending food to India—I am talking about the original idea—that it was only for that purpose of feeding people who could not buy, but it was not long until the Australian market for 30 million bushels of wheat was destroyed. We were not supposed to be getting into any commercial markets, but Australia, which had been selling those 30 million bushels there found their market went down to about 1 million bushels.

So, I think that regardless of what our theory may be, we have got to face the facts that any of these programs do have some effect on commercial sales of the commodities.

You make a rather persuasive argument to me that we can minimize the effect on the commercial markets.

Would you give me any suggestion as to what the effect of selling these local currencies at a discount will be on the local country?

Can a country stand to have its currency sold at a discount?

Mr. LEWIS. Well, the primary problem might be, I think, psychological because it is disturbing to any people to have their currencies sold at less than face value. But in economic terms, what is actually being proposed here is that human labor be sold at a discount, that the cost of human labor be subsidized, in effect, by this program so that it would be advantageous to say to an American investor who wants to build some kind of a factory that he could buy the currency under this program at a discount to hire hand labor to do the ground clearing, to dig the footings, and to do some of the construction work, instead of importing heavy machinery and gasoline and using electricity to perform that kind of construction work.

The CHAIRMAN. I understand that. That appeals to me. I think that it is on real sound ground there. But how much can a foreign country stand in the way of discounting its currencies? Let us not name a particular country, but let us say Country *x* has a currency that is worth today 100 cents and we come in there and we sell it to the private contractor for 60 cents. What happens then?

Mr. LEWIS. The first thing in my proposal would be that the uses to which that discounted currency would or could be used would be agreed to by the importing countries.

The CHAIRMAN. I understand that. I think that is fine.

Mr. LEWIS. The real choice that they would make in that case, is whether to offer a subsidy, in effect, to the employer to use labor-intensive methods, instead of using capital-intensive methods.

The CHAIRMAN. That is what it comes to. You have just said that the effect might largely be psychological. Is not all this pressure on the American gold reserves psychological? And would not these various psychological pressures oftentimes be calculated to destroy the value of the rest of the local currency?

Mr. LEWIS. I do not believe that would happen if care was taken to specify very clearly the limited uses to which this discounted currency could be used. Then anybody who wants to buy—I do not remember the kind of currency that your country *x* has.

The CHAIRMAN. I gave you a purely fictitious country. There is no such country.

Mr. LEWIS. Anyone who buys the currency of Country *x* at a discount would not be allowed to use it for anything else that he might want to buy in that country. He could use the discounted currency

only for limited purposes. If he wanted to buy other things, that is, other goods and services, he would have to buy the local currency at the official exchange rate. This actually would amount to an incentive to employ human labor in lieu of using machinery and labor-saving devices.

The CHAIRMAN. I think that is true; I think that is sound. But from the standpoint of the developing country, most of them want supersonic jets, not because they are threatened but because of prestige, and I would doubt that they will not stand still while you make their currency look bad even though it might give them substantial relief.

Mr. LEWIS. I think, Mr. Chairman, that this will provide an incentive and an American influence against that tendency, and it would make it easier and more possible and more feasible to stimulate the increased employment of their own people. It seems to me that this gives us a strong arguing point to use with other governments. We have the agricultural capacity to sell, and we ought to make the terms sound as appealing as we possibly can and do everything we can to make it feasible for the importing country to do business on this basis and to recognize the advantages to them of employing more of their own people and increasing their total consumption of food.

The CHAIRMAN. I think it is a good suggestion. I could talk on here the rest of the day, but I know that we must move on.

Mr. Miller has asked for recognition.

Mr. MILLER. I would like to ask a question, because the overall picture certainly seems to be good.

We have talked of building roads, water systems in countries where people are not now able to afford them; we are talking of feeding many people; we are talking also, as I understand it, of helping our own agricultural people.

Let me point to this: A farmer who, today, has 1 acre—let us get down to basics—we are talking of paying that man next year the same amount of money for producing on that 1 acre what he is paid this year for not producing. Am I correct in that statement?

Mr. LEWIS. No, I think, actually, it works out that the payment to the farmer for not producing is substitute income. It merely substitutes for the income that he would earn on his land if he produced, instead of diverting it under the diversion program.

What I am proposing is that if this would be adopted so as to expand the volume of exports, say, of 1967, so that our stocks will be drawn down further in 1967 and they can be replenished then by the Government at less cost in 1968. That is where the difference comes in as to the cost.

The benefit to the farmer is that in 1967 there will be a large demand for farm commodities and prices will be strengthened accordingly. He will be able to sell in a market with more demand, instead of seeing the little surplus hanging over the market and dampening it.

Mr. MILLER. Let me ask you this: If this man were to be paid the same amount now for producing as he would be for not producing, he must plant the seed and he has the cost of fertilizer and the cost of the necessary machinery, will the farmer be harmed by this program in the overall picture because of this?

Mr. LEWIS. No, he will be helped by it. It is not that the farmer would be paid the same amount for producing as he is paid for not producing, but that the United States would expand its exports under the Food for Peace Program so as to increase the demand for United States farm products, and then the diversion program will not be needed to be applied as severely as otherwise. The farmer will get his income in the market. He will get the full price of what he could earn on his land, and it will be a better price, because the demand will be stronger, in place of getting payments for not producing. He will actually come out with more money. There will be more money running through the cash registers in the small, rural towns and to the business people therein, and the farmer will have a stronger market to improve his income.

Mr. MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Mr. Lewis, I am also very intrigued with your statement. It seems to me, in looking at your recommendations, the first thing that strikes me is that it would take quite a job of education. It would take quite a supersalesman's job and supernegotiating job on the part of the United States to effectuate the suggestions you have made. I do not say this along the lines that it is impossible, that it cannot be done—not at all. I only say this, because it seems to me that it would be difficult to educate the parties involved in this, that it was good for them. This idea that the chairman mentioned about discounting the currency, this, certainly, is on first blush a difficult thing to sell a country on that idea, based on the subsidiary benefits that they would get which you describe.

I think that you have made a good answer.

Now, I have a specific question that I would like to ask you regarding your testimony on page 6 where you made reference to five illustrative uses that should be permitted of local currencies that would be sold to private interests. Your whole program is based on our making more sales for more local soft currencies and thereby selling them to get more hard dollars back.

Do you recite these five points here for something to be given to the negotiators, to the people in our Government, to try to sell the private interests in these foreign countries, as to what they can do with those purchases? It that the purpose of these five items?

Mr. LEWIS. That is what I am driving at, sir.

Mr. KLEPPE. You are not talking here about something legislatively?

Mr. LEWIS. Oh, no.

Mr. KLEPPE. These are just suggestions for the negotiators?

Mr. LEWIS. Yes.

Mr. KLEPPE. This answers my question. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Mayne.

Mr. MAYNE. I notice in the first paragraph of your written testimony that you said nothing about your representation.

Then, in your oral statement you said that you were in private practice in Washington. And then you did say something about who you are representing. Would you mind repeating that for the record, please?

Mr. LEWIS. I have been commissioned by a group of farm organizations, farm commodity associations and commercial farm commodity trading firms, to study the ways whereby the food-for-peace program might be expanded. I have not yet completed that study. I have not reported to the group who have commissioned me for this work.

Mr. MAYNE. Who are the farm organizations whom you are representing?

Mr. LEWIS. I would rather leave it to them to disclose it, because they have not had a chance to review my conclusions and recommendations. I have not yet submitted my conclusion to them, and I would not wish to compromise their freedom to decide for themselves whether or not they want to support my recommendations.

Mr. MAYNE. Well, who are the farm commodity associations whom you are representing here today?

Mr. LEWIS. I am representing no one but myself, sir.

Mr. MAYNE. Who are the commercial farm commodity trading firms that you are representing here today?

Mr. LEWIS. I am representing no one but myself. I am not authorized at this time to speak for any group other than myself as an individual.

Mr. MAYNE. I wonder, do you have a written statement, such as the one you gave for the record?

Mr. LEWIS. I have some notes, yes.

Mr. MAYNE. What was it that you said at that time—I am not sure that I gathered that, and I do not believe that the reporter did.

Mr. LEWIS. I have been commissioned jointly by a group of the Nation's leading farm organizations, agricultural commodity associations, and farm product manufacturing and merchandising firms, to conduct a study to develop a proposal for expanding the use of U.S. commodities for food for peace.

Mr. MAYNE. Do you not think that a fair interpretation of that statement is that you are representing such organizations?

Mr. LEWIS. I certainly do not think so, because I made it explicitly clear that I am not representing them. What I have said may or may not represent the views and judgments that will be made by the people who have sponsored this study.

The CHAIRMAN. I do not want to preclude anybody from any proper cross-examination of a witness, but I would like to say, in fairness to Mr. Lewis, that he had talked to me about what he had in mind. He has told me that he had not completed the work for which he had been employed, and he had not submitted his study to his employers. He hoped to have a study available in the next 2 or 3 weeks which we might be interested in. I thought he had a very interesting concept here, something which we should hear, and I asked him to put it before the committee.

I do not understand that Mr. Lewis ever claimed that he was speaking for anybody. He has been doing some work here. He has worked out an idea which he has not yet even presented to his clients; and it would seem to me that it would be rather unfair to ask him to disclose the identity of those people who have not asked or even authorized him to come to this committee. He has not completed his study for them, nor has he even submitted it to them; but, obviously, like everybody else who does any kind of research, he comes to conclusions,

has some ideas, and the time to submit them to the committee is now and not 2 or 3 weeks from now, after we have taken action on the bill.

I asked him to come up here. If there is anything wrong with that, I want to take the responsibility, Mr. Mayne. I do not see what there is wrong in a man giving us his ideas. We do not have to accept them. I do not accept them 100 percent by any manner of means, but I do think that they are interesting and I thought we should have them.

Mr. MAYNE. Excuse me. May I respond, Mr. Chairman?

The CHAIRMAN. Yes, certainly.

Mr. MAYNE. My questioning this witness arises from the fact that Mr. Findley this morning encouraged this committee to make a special effort to call witnesses who are completely free of vested interests in the continuation of the program, and I think it is appropriate to inquire of the witness who it is he represents and whether he is in the class of these vested interests.

The CHAIRMAN. You have the right to ask him anything that you want to ask. And you may continue, if you want to. I think I explained that I had asked the gentleman to come up here. He did tell me that he had not completed his work and that he had not submitted it to his clients and he did not feel that he should come here representing anybody; and it would seem to me that a man has a perfect right to withhold the names of those people who have not asked him to come up here. I do not think that he should be put in the embarrassing position of sort of holding them up as his sponsors when, as he said, they have not approved what he has suggested. He is not presenting it for them. He is presenting it because his studies led him to believe that here is a possible way out; and I assume that when he reports to them his report will cover this, and possibly more. I do not want to preclude you from asking any questions about Public Law 480 that you want to ask, Mr. Mayne.

Mr. MAYNE. Of course, Mr. Chairman, I readily recognize that you are much more familiar in this area, apparently with this witness, than I am. All I know is that he is Robert G. Lewis, Washington, D.C., and I think that I would like to know more about him.

I would like to know who you generally represent? Who are your clients?

The CHAIRMAN. I wonder if it is appropriate to ask anybody who comes here about their relations which are not related to our hearing? I do not think it is hardly proper—to ask all of the witnesses who their clients are, regardless of whether they have to do with what you are talking about or not. He has pointed out, and I think very properly, that his clients are not aware of this, have not been presented with this, have not approved this, and have not authorized him to come here and represent them. It seems to me sort of like asking you, as a lawyer representing a bank, to give us a list of all of your divorce clients. And I certainly would not ask you to do that.

Mr. MAYNE. Then, I will limit the question and ask you which, if any, of your clients do you think will have a vested interest in the continuation of this program?

Mr. LEWIS. I think, sir, that all of my clients who are involved in commissioning me to make this study do have a vested interest.

Mr. MAYNE. Who are the clients who have commissioned you to make this study?

Mr. LEWIS. Pardon?

Mr. MAYNE. Who are the clients who have commissioned you to make this study?

Mr. LEWIS. Mr. Mayne, I will be glad to furnish you with the names of my clients after they have had a chance to review my reports, and are ready to tell you at that time whether they are for it or not, whether they agree with it or not. My only purpose in withholding the names of my clients at this time is that I do not wish to compromise their freedom to accept or reject my recommendations in any way. I do not want to claim or to insinuate that someone is supporting these recommendations before they have had a chance to decide that for themselves.

Mr. MAYNE. You say that they commissioned you to make a study?

Mr. LEWIS. Yes, sir; they did.

Mr. MAYNE. I think that my question is entirely proper, then.

The CHAIRMAN. The Chair will hold that your question is entirely out of order, because he is not here representing anyone. He has told you that. As soon as he can, he will tell you which of his clients will endorse his suggestions, but to tell you now and to give you a list of his clients would seem to indicate that they were endorsing his statements which they have not seen.

I do not know what your purpose is in trying to harass the witness, and while I want you to have every opportunity to get any background information that you need, I cannot sustain an effort to simply embarrass the witness. We are trying to get some possible solution to this program, and if this man has any knowledge of the subject which might guide us, I think we should have it. It does not seem to me that he ought to disclose all of his clients. I just believe that a lawyer has a perfect right to refuse to divulge the names of his clients until he has some authority to do so. I think that this is asking him to violate his relationship.

Mr. MAYNE. Is Mr. Lewis a lawyer?

Mr. LEWIS. No; I am an economist.

The CHAIRMAN. Whether he is a lawyer or a public relations man, or whatever he is, he has a right to not have a client associated with something that the client does not know anything about.

Any witness that comes before us has some friends somewhere. There is not a witness in the world that we bring up here but what you can embarrass exactly in the same manner, and I do not think that we should.

It seems to me that you can proceed otherwise.

Mr. MAYNE. Mr. Chairman, could I make one brief statement?

The CHAIRMAN. Certainly.

Mr. MAYNE. It seems to me that the record shows that the testimony, or rather, the study on which this witness' testimony this morning is based has been paid for or is being paid for under an agreement with certain clients.

The CHAIRMAN. I understand the testimony to be exactly the contrary; that the testimony that the man is presenting has never been seen by his clients and that they have not paid him for this testimony—they paid him to prepare a study which he has not completed, but that, in connection with these studies, he has come to certain conclusions, as an individual. He suggests that here is a probable way in which we

may save the United States some dollars, and he submits that to us without having submitted it to his clients. I don't feel that his clients should be bound by his admissions here this morning, and that is all I understand that he is asking, that his clients not be bound, because the clients have not paid him to come here, have not authorized him to come here, have not suggested that he should come before us, and do not know anything about his coming before us, and because of that lack of knowledge on their part, he feels that he ought to have the opportunity to let them say whether they favor or oppose this thing. And he is perfectly willing to give their names as soon as he has had an opportunity to obtain an expression from his clients as to their feelings about this matter. It is the very fact that the clients have not sent him—that is the very reason that he is objecting to giving you their names.

Mr. MAYNE. Mr. Chairman, I made my statement that they were going to pay for it. The witness affirmed that the statement was correct; is that not true?

Mr. LEWIS. I do not recall the statement.

Mr. MAYNE. Could we have the reporter read my last statement back?

May I ask that the reporter read my last statement to which the witness answered?

The CHAIRMAN. The reporter may do so.

The REPORTER. I do not know which statement you mean.

Mr. MAYNE. I will try to restate it again. I believe that the record, as shown by the testimony of this witness, is that his testimony this morning is based on a study which was commissioned by some of his clients who had already paid him for it or were under an agreement with him to pay him for that study. Is that not correct?

Mr. LEWIS. What I have reported here is based on my long-term observations and continuous studies and the study which I now have underway.

Mr. MAYNE. They commissioned you to make that study?

Mr. LEWIS. They commissioned me to make that study.

Mr. MAYNE. They are paying you for it?

Mr. LEWIS. They are paying me for it, and, as I said to you, I have no reluctance whatsoever to reporting the names of my clients who are involved, except that I do not wish to compromise their freedom to make their own decision as to whether they support the conclusions of my study or not. They have not had that opportunity as yet, and I will, at such time as their judgment of my conclusions can be transmitted, as to whether they favor or oppose my recommendations in whole or in part, I will see to it that you get a list of who they are.

Mr. MAYNE. The only additional thing that I have here, Mr. Chairman, is that I, for one, will not pay any attention to the testimony of this witness until such time as he reveals who he is representing here today.

Mr. LEWIS. I told you, Mr. Mayne, I am representing—and purport to represent—no one but myself.

The CHAIRMAN. The gentleman will pay no attention to the testimony.

Yes, Mr. Zwach. I believe that Mr. Price has been trying to get recognition for some time.

Mr. PRICE. I find this a very interesting statement, Mr. Lewis. And I think an example that might be worthy of study is: When I was in

Vietnam recently I saw the effect of putting these people to work in building our bases and building the unloading facilities and what it did to the economy. And to me it was an example of just what you are talking about, putting money in these people's hands, to give them buying power to buy this food, but, on the other hand, on this side of the production part of it, you are talking about the supply and the demand bringing the price that the farmer will receive up, but in the bills that we have before us now, I do not think that the Department of Agriculture wants any kind of a shortage which would bring the price of the products up. They are talking about tremendous reserves now, so that this would not occur. I concur with you that the only way that the prices of farm products are going to rise is through a shortage.

Mr. LEWIS. Mr. Price, this is not a simple matter, and it is not a question that can be resolved with or without this proposal exclusively, but I do believe that, in general, farmers' prices and incomes will be better if the demand is stronger than if it is weaker.

Mr. PRICE. I agree with you.

Mr. LEWIS. As a general rule, that is true. I believe, also, that we need to have adequate reserves and that those reserves need to be managed in such a way as not to depress the farmers' prices and income, but there are many things that need to be done that go far beyond the import of this particular proposal that relate to that question.

Mr. PRICE. As you say, it is an intricate kind of thing. We have a tremendous lot of these reserves, and to have a shortage it would create an upsurge of the price.

Mr. LEWIS. I think that depends on how the reserve is managed. Nevertheless, I think it is a general rule that at any given time, prices will be stronger if demand is stronger than if it is weaker.

Mr. PRICE. I agree. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Zwach.

Mr. ZWACH. I would just like to commend the gentleman for his presentation. I think that he enters new dimensions on this overall picture, and, personally, I do not care exactly who is sponsoring his study.

I would like to have the results of it as it develops.

I certainly would appreciate knowing of it, because it is a problem that we are all very concerned with, not only on our own level but at the world level.

Mr. LEWIS. Thank you very much. I will see to it that you have a copy of it.

I hope to have it completed sometime this month.

The CHAIRMAN. Thank you.

Mr. LEWIS. Thank you.

The CHAIRMAN. Are there any further questions?

Mr. Rarick?

Mr. RARICK. I want to thank you, Mr. Lewis. I thank you for a new idea, because this is something strictly revolutionary. I might say this: I represent the people in my district, so I want you to know that I am meeting you full square.

The CHAIRMAN. We cannot hear you at all, Mr. Rarick.

Mr. RARICK. I have a vested interest in this—I am telling the witness—and that I represent the people in my district. We call this food

for peace. I think somewhere back the idea was that poor people would become greater targets for communism than people who have a full stomach. We have food with which we are trying to help these so-called emerging nations, and, in turn, they have our money and yet we are only talking about saving dollars.

As I see the problem, we need to give consideration to trying to get some of these emerging countries to help us in this war in Vietnam to stop Communist aggression. In turn for our food they give us troops and moral support to stop the common enemy. Have you considered this point?

Mr. LEWIS. No; I have not thought of that nor considered it.

Mr. RARICK. This is a different idea, also. You are an economist, and on page 6 of your testimony you give five suggestions on how we could save money; could we not also somewhere start talking about saving some American boys' lives by the use of foreign troops? I say this because I have a vested interest from the people in my district in this matter. I know this is one question that is constantly before them, if we continue to give our foodstuffs away, whether it be called sale or an exchange or on credit, to these same countries, we can say, if you want our food for peace to stop Communist aggression, then you must assist us in the world's battles to contain communism. In this way we could use American food to encourage some of these starving peoples to become friends of ours in a world working together for peace, not merely as creatures eating food for peace, while our boys continue to die defending these same peoples, many of whom not only do not help us but criticize our military efforts in the interest of world peace.

Mr. LEWIS. I believe, Mr. Rarick, that the important, the really central, thing in this matter is jobs, giving people something to do—employment, rather than merely food. Food alone is not enough; I think that it is much better to give people the feeling that they have a future, which will make them want to work, and then to give them a chance to work and to earn their livings.

Mr. RARICK. Of course, but if we put them in the Army we pay them as well as feed them. Our boys in the service are employed, and I hope that we are giving them food, more than food—we are giving them salaries, but, again, we are using our money and our manpower to try to stop Communist aggression. I feel most Americans will agree that military support must be tied in with the food-for-peace program some way. It doesn't make sense that America must give her sons, her food, and her money and receive nothing in return.

The CHAIRMAN. Thank you very much.

I believe that concludes the questioning of this witness.

We have two more witnesses that we have not heard this morning. We will have to come back here this afternoon for that. I do not know what the program is on the floor, as to what time will be most convenient. Unless there is like a rollcall, or something else, on the floor, why, we will meet here at 3 o'clock this afternoon to hear the remaining witnesses.

(Whereupon, at 12:30 p.m., a recess was taken until 3 p.m., this same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

We are pleased to have with us Mr. David Whatley, attorney, Washington, D.C.

STATEMENT OF DAVID WHATLEY, ATTORNEY, WASHINGTON, D.C.

Mr. WHATLEY. Thank you, Mr. Chairman.

It is very gratifying to be back before your committee again.

When I testified before your committee in 1953, we really got into the meat of this.

The 1950 effort was aborted, as you recall. The House passed a very good bill, very similar to the Public Law 480 in its original form. But we had the bad luck of having it defeated in the Senate, because the Korean war intervened, and the Senators thought there would be no longer any surpluses.

Mr. Chairman, I have no prepared statement, but I do have several points I would hope very much to make. You have been very patient hearing me in the years above, and the committee and the Congress has been kind enough to accept several of my suggestions in amending the law.

The law has worked beautifully, it seems to me. I think those, including Mr. Paul Findley and other members, feel very different about the subject matter now—are beginning to be a little wary of good doing, a little different to compassion fatigue, perhaps. But the law has worked beautifully. It has kept many thousand millions of lives from actually being lost through malnutrition, or actual starvation—as you witnessed on your trip to India 2 years ago, and having followed this on a period of two years, you know from official reports that over a million people would have actually starved to death without Public Law 480 and the resolution on famine in India.

Without your support and your good work, and that of the members who have been with you on this over the years, this could not possibly have been accomplished, and if you should not live another day, I think you could rest comfortably and with a great sense of satisfaction for having done the good job for the world.

I congratulate you on it. I wish I had been in such a position to have done half as well.

I want particularly, Mr. Chairman, to call your attention to a book I am sure you have read called "Famine 1975." I had hoped Mr. Findley in his remarks this morning would make reference to this, because last year he was so exceedingly interested in this matter that he bought 25 copies, distributed it to the members of his new committee, the House Committee on Foreign Affairs, and succeeded in getting the foreign aid authorization bill amended in minor respects to accelerate this war on hunger, particularly by utilizing foreign currencies for these purposes, and to accelerate the birth control effort, which is still very very meager—in spite of the action of the Congress in the past 2 years, the very affirmative, categorical recommendations of the Congress that the program should be accelerated in every way possible, and that we were ready and willing to undertake the financial assistance to the countries that would ask for it—the program is still just getting underway. We are still nibbling at this.

The Congress set aside last year, you recall, Mr. Chairman \$35 million as a minimum amount, earmarked out of the foreign aid appropriations for fiscal year 1968. In spite of this, the Director of AID indicated that he doubted that all of the mere \$35 million could be used in this fiscal year, and made a very ardent effort, particularly in the Senate Appropriations Committee, that the \$35 million be reduced. The Congress refused to reduce the earmarking, and we hope at least \$35 million will be spent on this.

Mr. David Bell, former Administrator of AID, said we also need a great deal more research, particularly by National Institutions of Health. I would ask permission to have inserted the statement by Mr. Bell on this point.

That is one of the things members of this committee can do outside this committee—by prevailing upon the Appropriations Committee to increase the budget estimates in National Institutions of Health for this purpose.

The needs abroad are apparent to anyone like yourself who has studied this intensely, and as Congressman Dole indicated in his report a couple of years ago on the extension of Public Law 480—even if the total amount of increased—the birth rate of India, for instance, reduced in half, the total number of people accruing to the population of India would still be shockingly excessive, and the book, "Famine 1975" says that we have only 7 years, not the 17 as quoted by the U.S. Department of Agriculture, in which to lick this population problem, and the problem of the gap between the number of mouths to feed and the food available.

There are many many good ideas put forth—one of them just this week in an article indicating a new scientific means of providing protein, which is most significant according to Lewis Bean. I would ask permission to have that inserted because of its scientific significance.

The CHAIRMAN. We will file those statements with the record. We will not make them a part of the record.

Mr. WHATLEY. The total subject, Mr. Chairman, is so earth-shaking in its dimensions—not just from a strictly humanitarian standpoint, but from the standpoint of purely pragmatic desire for us to keep, insofar as possible, the system of government that we have been able to maintain these 150-odd years. And without a complete change in the priorities that we are giving to these matters in the next few years, not more than 5 years at the most, for which this bill I think is merely a tooling up process—this whole world as we know it today will not be the same, as you well know. There will be so much revolution, so many riots in these countries that are being decimated. Millions of deaths from starvation—that it is inconceivable that we could live in the same world we now have. The so-called cold war will become really academic at that point.

It seems to me that the Russians and the Chinese will be just sitting back waiting to take over. And whether they take over one particular small country, such as Vietnam, or so forth, would be incidental, and of very minor importance compared to the vast millions, hundreds of millions, that they can take over in such a riot-torn situation.

I would hope very much that you could persuade as many members of this committee to read this book as possible. I wish I had the financial ability to provide them to you free of charge.

I hope in this connection, Mr. Chairman, that you could question the Secretary of Agriculture on this, and also the authors, perhaps in executive session on Friday afternoon, to get at the objective balance truth of this. These two great authors—Dr. William Paddock who lives in the city, and would be available if called, and his brother, who lives in Princeton, N.J.—can make a very effective case. The executive branch are disposed to refute this case, because for psychological reasons they feel it is very damaging to their cause—even to the extension of Public Law 480, which is mandatory.

It cannot be reduced, in my opinion. If the food is not as a matter of fact able to be sent to the hungry places of the world at the moment, it ought to be stored in reserve. It could be stockpiled in places like Pakistan and India.

This tooling up process will be necessary in the next year, it seems to me. And if you cannot get the necessary authorization on monetary matters, I would hope you would extend the law for only 1 year, instead of 3 years, because next year I think the incipient, almost inexorable conditions of famine abroad will be so apparent that the country, I think, might be more likely to go along with an enlargement of this program above the amount we now have. This is something that we can afford—we cannot afford not to do it if we wish to have the same kind of ethnic, ethical and moral values that we have lived under in this country for 150 years, under our form of government that we have been able to maintain despite great adversity, civil war, and foreign wars and so forth.

I would urge you to give this a great deal of thought. And please consider the possibility of setting up a new committee which would be similar in scope and organization and financing to the Joint Committee on General Revenue, which is an excellently operated permanent organization that goes into research in great depth. It seems to me this entire matter needs to be considered in great depth on a permanent basis, because we will be facing this for many many years, in a semipermanent situation. And this is needed of course obviously without respect to the coming famines, for the simple reason that this vast food for peace program needs to be checked on thoroughly from month to month and year to year, more thoroughly than the committees have been able to do thus far, in spite of their willingness to survey this within the possibilities that they have and the limitations of time and personnel.

There are other suggestions as to amendments, but your time is short. It has been a long day for you. I would ask permission to extend my remarks in the record, Mr. Chairman.

The CHAIRMAN. Without objection that will be granted. We are very much obliged to you, Mr. Whatley. I think that you have made an interesting statement—but I think from my standpoint your statement falls short in exactly the same place where the Paddock brothers do.

As I see the weakness of the Paddock book, it is that they apparently paid no attention whatever to the effect of price on the ability to produce agricultural products.

Personally I am convinced that if we are willing to enable farmers to use modern techniques, that we have the techniques that would then enable us to provide all the food, certainly far more than we need here

in the United States, and even the world over, for the foreseeable future.

But of course it cannot be done unless farmers can use those techniques. Obviously in most of the underdeveloped nations of the world it is impossible to use those techniques—impossible simply because there is not any profit in it.

It is perfectly possible to increase food production in India. They have lots of very good land. Most years they have a pretty good climate. I know they had 2 years of drought. Last year they had a harvest of more than a hundred million tons of grains.

I think that if we are willing to give the farmer modern prices, so that he can employ modern techniques, that he can give us modern production and will do so.

I can conceive of no way whereby we can feed the world or even the United States with "40 acres and a mule" or with a couple of buffalo and a sharp stick.

You are going to have to use modern machines, and you are going to have to use insecticides, fertilizers, pesticides, and all of those things.

Don't you feel that there is something lacking in Paddock's book?

MR. WHATLEY. I thought the book was deficient in certain respects, such as the ones you have mentioned.

I think their objective and motivation was merely to shock the country into doing further research in this field, knowing full well that the entire spectrum of activities in which the U.S. Government and all governments that are prone to have famines, and those that are financially able to help avert this horrible situation will have to do a great deal more than they are now doing. They will have to manufacture vastly larger amounts of insecticides and fertilizers and so forth. There needs to be new approaches to how to utilize private capital on this.

THE CHAIRMAN. All it takes to get private capital in is to just give private capital a chance to make a profit, and they will get into it.

MR. WHATLEY. Mr. Aaron Scheinfeld whose paper was presented to the recent Conference on the War Against Hunger, has made a very interesting, salutary proposal for developing private capital abroad to do this job.

But the vast scope of these activities—which will have to be enhanced if these famines are to be obviated—will require a great deal more push from the executive branch, in the United States, from all of the fat-cat countries of Western Europe that have as much stake in adverting this kind of chaos as we do.

So little has been done on this.

Perhaps one means of achieving this would be a simple amendment to this bill which would call upon the President to survey the possibility of proposing to the United Nations at its next General Assembly meeting next winter that at least 10 percent of the military budget of every member Government of the United Nations should be devoted to assisting in grants—not loans—the underdeveloped countries in any means chosen by the United Nations in the war against famine. And I hope this can be called the fight against famine rather than use the word "war," and I hope you see fit to change the title of this bill and program, call it the fight against hunger.

The CHAIRMAN. We all agree the world would be far better off if we did not have any war, and if we could spend all of our resources developing the world rather than in destructive efforts.

But you are certainly not telling this committee that we ought to just run out of the war—

Mr. WHATLEY. No—this is not so quixotic as to repeat what has been said many times before—if we can cut down on our armaments—

The CHAIRMAN. This committee can take judicial knowledge of that fact. You do not have to tell us that. We know if we did not have to spend \$79 billion a year on the Vietnam war, we would have more money at home. We understand that. We also understand if you ran out of that war, it might not be a matter of spending \$79 billion, it might be well a matter of spending \$79 billion in a month fighting a dozen wars over the world.

Mr. WHATLEY. Mr. Chairman, you know over the years I have never found myself in disagreement with you. I think your attention was diverted. I did not propose this. I merely proposed that 10 percent additional be spent each year—that is spent on not defense—be utilized for this purpose. So if it is found in scientific statistical findings, in the report to the United Nations, that if the previous year we had spent \$80 billion, then we would pledge \$8 billion to this program of the fight against famine. This would be in goods and services. And if it could not be utilized effectively, it could be set aside for the coming famines in the next few years in reserve.

The CHAIRMAN. You heard the testimony this morning. You know the objective of this committee—at least the chairman's objective, and I think of other members—of trying to use this program in such a manner that it will help rather than deplete our balance of payments abroad. And I wonder if you could give us any suggestions as to how we can achieve that result.

You have talked this afternoon as if you contemplated just giving these people these additional commodities.

Mr. WHATLEY. If they are purchased or bought in this country—if they are grown in this country, you do not impair the balance of payments, as you well know.

The CHAIRMAN. Well, I do not know that, because I know that under normal conditions if there were no giveaway program, I think it is pretty clear that we would sell more for dollars. Now, that may be harsh, and I am not advocating that we should wipe out the program of helping these countries. I think it is desirable to help them. But I do not know that everything we give away has no effect on our balance of payments. I think it does have an effect on it, because I think oftentimes it reduces the amount of money coming into the United States. And the mere fact that we grew these commodities and shipped them does not mean that it does not have some effect.

Now, I grant you it certainly does not have the same effect as if we bought them somewhere else and gave them to somebody. That would of course have a still greater effect on our balance of payments.

Mr. WHATLEY. Congressman Passman of Louisiana quarrels with this economic theory each year, saying that this does not constitute an impediment—does not constitute an impediment to both our balance of payments and the gold drain.

I think practically no eminent economist would agree with Mr. Passman in that extreme statement.

The CHAIRMAN. I am not suggesting that it adds to the gold drain except to the extent that it reduces our cash markets to some degree. To what degree is, I think, a serious question.

Mr. WHATLEY. I think perhaps a rather small, insignificant amount.

The CHAIRMAN. But then there is the other side of the factor. Couldn't we get some help on our balance if we adopted a program—maybe not the program that was suggested this morning, but that type of program—would that not help us to get some favorable balance of payments? To the extent that we could get these people to make their currency, with which they pay for these commodities, fully convertible, so that we could use it for any purpose.

That would help us reduce the gold drain, would it not?

Mr. WHATLEY. If that would be possible. But, Mr. Chairman, I wonder if we would not have a less—less of an impact on our balance of payments through the normal channels of trade, regular exports for dollars—in view of the fact that under those exports, the international traders, exporters and importers, could very easily, I think, under existing law, stash away a large substantial portion of their profits, whether it is on a borrowed basis or regular commercial basis, in Swiss banks or European banks, and could not be very easily policed, such as the food-for-peace program can.

The food-for-peace program, I think, has been very well administered in this respect. I would agree that the figures in some cases might be exaggerated, but my impression, from the amount of study I have done here on this, is that this is a very minor segment of the total exports under Public Law 480—it has always been.

But these are questions, Mr. Chairman, that ought to be gone into by—in the long term—by this joint committee on the fight against famine.

The CHAIRMAN. Since we do not have a joint committee, and since this committee does have jurisdiction at the moment, and since this is the only court you are going to get in—

Mr. WHATLEY. Unless you would set this up as an amendment to this bill.

The CHAIRMAN. We are going to pass on this bill, and we are going to do it rather promptly. And I just have not understood the reluctance that most of the witnesses—and you are no different from the rest of the group—that come here and tell us that somebody else ought to study this question in depth. That is what we are trying to do now. And yet the witnesses come and tell us that the program should be continued, but they do not make the suggestions, or most of them do not, as to what we should do. They say—you ought to study those details.

We are trying to study those details.

I want to know—and if you have an opinion I would be delighted to have it—if we require as a condition of sale of any of these commodities—in India, for instance—that 50 percent, or some other percentage, of this payment be in unblocked rupees—that is rupees that we could use for any purpose, sell to anybody we please for any purpose, and at any price we wanted to—wouldn't that result in the use of rupees to pay for the \$150 million a year of jute products that we bring in from India.

Mr. WHATLEY. Except as you well know, Mr. Chairman, we would merely and simply entail a reduction in their foreign exchange to that extent.

The CHAIRMAN. I understand that full well. But I am asking you the first question first. I understand full well what it would do to the Indian economy. But I am asking you what it would do to the American economy first. Wouldn't it add \$150 million a year to the American economy?

Mr. WHATLEY. In the same way that you would—I think it would—but it would be very much in opposition to our foreign policy interests.

The CHAIRMAN. Now, that may be correct. It may be that it would be foolish to do it. I am not trying to ask that question now. Right there is a place you could improve our balance of trade. Now, sure it would hurt the Indian economy—I understand that.

Then the question is—Is India in such a shape, and is the United States in such a good shape that we can afford this? Or who should take this blow at their balance of trade—which one—where is it best to let this blow fall?

Mr. WHATLEY. It is a complex thing.

The CHAIRMAN. I know it is. And we are not trying to give you an answer. We are trying to get the answers.

Mr. WHATLEY. If India were forced to utilize a certain portion of their foreign currencies to pay for travel costs of United States citizens in India—if it were merely \$100 million a year, it would of course mean they would lose a hundred million dollars worth of foreign exchange which they are now getting under the present system. And of course this is the reason that the executive branch has never substantially implemented the directives of the Congress in this respect, because we just have to increase the foreign aid allocations by a hundred million dollars to India out of the regular foreign aid appropriation, and money for that has gotten so short it cannot possibly go around the way it is desired to.

But every time this subject is raised, I cannot help but remember back in about 1950 the vigorous faith that you maintained over several years in the House to try to persuade the U.S. Government to insist upon our allies sharing the burden of defending Western Europe.

Mr. Poage used to work on that most vigorously, and he worked almost alone. And now it has ended up that most of our loss of gold and deficit in balance of payments is caused primarily by the inordinate number of divisions we have in Western Europe, which most military experts say is vastly excessive. Senator Mansfield, and a majority of the Senators are trying to get the number of divisions drastically reduced, because it is unimportant from a military standpoint.

But these matters, as Mr. Poage remembers in his fight on this subject back in 1948, 1949, 1950—they were very hard to accomplish. When the executive branch is fighting you tooth and nail, when it comes to foreign policy, whether it is making war or preventing war, it is very difficult to get a law changed, and most of the legislation that has emanated out of the Congress in the past 20 years, I have observed, is actually written in the executive branch rather than the Congress.

But in this instance, in the field of the fight against famine, the executive branch is not taking the initiative on this. They are going along half heartedly, asking for an extension of Public Law 480 for

another 3 years. Perhaps 1 year would be better—give us more time to think about it.

This whole effort is going to have to be vastly enlarged, and a mere 3-year extension of the amounts that we have now in my opinion is vastly inadequate, even for the tooling up process, and building up the reserves that will inexorably come in the next few years.

The CHAIRMAN. Thank you.

Mr. TEAGUE. Just one question, Mr. Whatley.

I was delayed getting here. Perhaps you have answered this question. If so, I will ask that it be stricken from the record.

Are you here just as an interested individual, or are you representing some client—a client or some clients?

Mr. WHATLEY. No. If the chairman will permit me—I would submit an affidavit on this. There is always that question—particularly among members of the committee who do not know that I have worked in this field since 1950, and in humanitarian cases since 1937. My totaling, which I would include in the affidavit, Mr. Chairman, is less than \$2,000 in 30 years of humanitarian service.

Mr. TEAGUE. As far as I am concerned it is not necessary that you submit any affidavit. I was just interested.

Mr. WHATLEY. I know. But I would just ask the permission.

Mr. TEAGUE. Thank you.

Mr. O'NEAL. Mr. Whatley, I was interested in your suggestion that this country propose to the United Nations that all member nations be required to contribute—did you say 10 percent of their military budget?

Mr. WHATLEY. Yes.

Mr. O'NEAL. Well, what crossed my mind when I heard your proposal was—I understand that we are having trouble even getting the member nations to pay their dues.

Mr. WHATLEY. That is true—because these are for controversial questions that—

Mr. O'NEAL. How would you enforce—

Mr. WHATLEY (continuing). That the number of countries did not agree with. They opposed it in the Security Council, and they found the Security Council was acting against its true jurisdiction. And they, therefore, felt no moral or legal obligation to continue to pay dues for these purposes.

Mr. O'NEAL. How would you enforce such a requirement on the member nations?

Mr. WHATLEY. This would be a different proposition which would be universally accepted, I think. And this would bring in dues, I think, from even some of the small countries that are now delinquent in their dues. There are so many small countries that are delinquent.

I think the power of public opinion, the opinion of mankind would in such a venture virtually force them to do this.

Mr. O'NEAL. Well, I cannot share your optimism about that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. O'Neal.

Any other questions of Mr. Whatley?

If there are no further questions, we are very much obliged to you, Mr. Whatley.

The older members of this committee all know that Mr. Whatley has

spent a great many years working on various humanitarian projects that he felt were for the good of the country and the world. He is an attorney. I think we would take judicial knowledge of the fact that he is here representing his own views rather than those of any clients, in connection with this kind of work, because he has been doing it for a great many years.

Mr. GATHINGS. Mr. Chairman, I would like to add, too—some suggestions that Mr. Whatley has made have been written into law. He has made some real contributions over the years.

Mr. WHATLEY. I won't be appearing before your committee again this year, Mr. Gathings, but I will miss very much the sight of Mr. Gathings. He has been a real source of strength of the Lord's work.

The CHAIRMAN. We are all sorry to see him leave. Thank you, Mr. Whatley.

Now, I believe Dr. John Lewis is with us. We will be delighted to hear from you, Dr. Lewis.

STATEMENT OF JOHN LEWIS, MISSION DIRECTOR, INDIA AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. LEWIS. Thank you very much.

My name is John Lewis. I am Director of the U.S. AID Mission in India. I am very happy to have this opportunity to testify in connection with your consideration of the extension of P.L. 480 legislation. I should say, Mr. Chairman, that I am not here as a major spokesman for the administration. I believe that they will be winding up—Secretary Freeman and Mr. Gaud and Mr. Solomon of the State Department on Friday.

I am here to tell you a bit about the food and population battle in India, how it is going, because it bears so importantly on this legislation.

Mr. Chairman, I just got in from India the night before last, and I do not have a prepared statement. I would be glad to talk for a few minutes about that subject, if you would like.

The CHAIRMAN. We would be glad to hear you.

Mr. LEWIS. All right, sir.

I think there are two relations, really, between Public Law 480—and I am thinking here primarily of title I—and the food production situation in India. The long-standing relation has been that Public Law 480 has made up for the shortages in Indian agricultural production. The Indian production record is not as bad as it sometimes has been characterized.

Since 1950, until 1965, let us say, they made an average growth per year of something like $2\frac{1}{2}$ percent in their food production. And that was against a standing start. There apparently had been no growth for two or three decades before then. In some times and places in history that would have been quite a good achievement. The trouble was it was not enough—because of the growth in population, which almost exactly paralleled the annual growth in food, and because of the slow growth in incomes per capita, the demand kept getting out in front of supply, and this gap was filled by Public Law 480.

Sometimes it has been argued, perhaps it was overfilled—that we served to dampen agricultural incentives in India. But be that as it may, it seems to me that the lack of Public Law 480 in the period from

the middle fifties on would have brought the whole Indian development experiment to a halt. I mean by that this is a rather unique development experiment in India. It is an attempt to change things radically, economically achieve a good deal of expansion and income, by thoroughly constitutional, democratic means. And one thing that is—one economic fact that is—politically explosive there is sharply rising food prices in the cities.

I think that Indian democracy would possibly have been disrupted beyond repair by untrammelled food price increases for urban consumers if it had not been for Public Law 480.

But at any rate, a second relationship between Public Law 480 and Indian food production has been added in recent years, and most specifically and explicitly since the new legislation of 1966. This is a direct linkage between our provision of food assistance and the character and vigor of the agricultural expansion program that the Indians are pursuing.

Now, the current news from India about agriculture, as I am sure you all are in some degree aware, is very good—it is very heartening.

I think that the crop that is coming in this year is going to be by all odds a record crop. The previous annual high was in 1964-65, when they had 88 million tons of food and grains production. It looks as though this year the crop will fall in the range of 95 to 100 million. I think the Food Minister about 10 days ago mentioned 100 million tons as a prediction for the crop—a revised forecast. And this would suggest in this 3-year period, from one high to another, an increase of something like 12 million tons.

If you compare a 100 million ton crop with what was there the year before, which was 76 million tons, or the year before that, which was 72 million tons, it would exaggerate the pace of expansion. And that is because it would blur together long-run changes with the phenomenon of drought that hit India 2 years ago in a row, back-to-back droughts, very, very severe droughts that amounted to a major national disaster.

The comeback this year is partly, of course, just an improvement in the rain. But since the rains this year are certainly no better than they were in 1964-65, a considerable portion of the gain is attributable to changes in productivity that should be lasting.

This is not at all surprising to those of us who have been following Indian agricultural affairs for awhile, because it has been quite clear that for 2 or 3 years there has been a veritable revolution underway in India in agriculture. They call it the new agricultural strategy. It has been encouraged by aspects of our assistance program—like the self-help features in the Public Law 480 legislation. It has been, however, rooted in some diagnosis and changes of policy that the Indians did on their own.

The new strategy includes, I think perhaps most fundamentally, a new concept of the Indian cultivator. He is now recognized as being a fairly shrewd fellow, and one who is activated by incentives.

Along with that, the Indians have discovered the importance of incentive prices. They discovered this, I think, beginning in 1963-64. They now have committed themselves firmly to an incentive price support program, and are proceeding to enforce it.

It is quite evident as the new big crop comes in this year, that they are enforcing it. They put quite high procurement prices, and they are administering them as real support prices—that is to say, they will take any and all commodities that come to the market at that price.

The reliance on incentives has, along with it, brought a great new emphasis on inputs. Tremendous increases in the supply of fertilizer—in the first instance enormous increases in fertilizer imports—and then an effective push to increase fertilizer production, especially in private sector plants with foreign private investment. This effort to recruit plants has proceeded very well.

The inputs have been built very much around a range of new high-yielding variety seeds that have been available, have become available, almost across the whole spectrum of food grains from the maize and the millets, to wheat and rice. These seeds, by the way, have been available partly because of help from outside sources, including the Rockefeller Foundation and the International Rice Research Institute of the Philippines. They also have been greatly fortified by the development of new seeds by some good and increasingly effective applied research the Indians have been doing. A number of the improved varieties now being used are ones that have been developed in India.

The rest of the inputs have been falling into line.

The water is being attacked much more effectively as a necessary requirement. Some of the larger irrigation projects are now being pressed toward completion. The most important thing, however, I think, is that private tube well drilling has become popular and profitable, and has been going forward at a great pace. At least 30,000 tube wells were dug in north India during the course of the last fiscal year. I would assume that the same or a larger number are coming along this year. Those tube wells are now becoming a matter of concern. The getting of electrical connections for them is being pressed with urgency.

In the rest of the inputs—equipment, machinery, tractors—these things are all becoming increasingly sought after, and the Government of India is, I think, increasingly taking sensible steps to bring up supplies, particularly on the private sector side.

So that there is a revolution in agriculture. It has started. Its results are now visible.

Mr. Chairman, we enormously enjoyed and benefited from your own visit 15 months ago, with Congressman Dole. I think if you come back today you would see even in that space of time a significant change.

I was up in the Punjab just about 10 days ago. The wheat crop in the Punjab is unprecedentedly good, and it stretches across the State of Uttar Pradesh, the largest State in the country, and even to Bihar, where the Food Minister was quoted as saying it begins to look like the Punjab. The new high-yielding wheat was to have been extended to $3\frac{1}{2}$ million acres this season. Actually they have extended it to 8 million acres already, which is the target they had for 1970-71.

All of the acreage in high-yielding varieties in both the Punjab and Uttar Pradesh this year, the average use of nitrogen fertilizer is in excess of 40 pounds. I suppose that would mean if you take the conventional fertilizer, something like 200 pounds an acre of the composite fertilizers.

This is an almost unbelievable change from even 3 or 4 years ago, when probably average use was only a fifth or maybe a tenth of that amount.

Now, I do not mean to suggest that the agricultural problem is licked by any means in India. It is just that a rather decisive start, we think, has been made.

The new strategy, the new technology in modern methods of agriculture has reached a minority of the farmers. It has reached, I think, enough so that it is going to continue to spread. The fact that there are many more to be reached means that the outlook for continued expansion is rather good for some years to come. This is not to say that India is going to be self-supporting in food tomorrow. They have a target of becoming self-supporting by the first year of the seventies. I think personally that is too ambitious. I think it will be some time in the early seventies, very possibly.

But meanwhile, they, having started from a major deficit position, have quite a gap to close.

They also recognize their need for developing some kind of minimum working stock in order to run a more sensible food pricing and distribution system, one that relies more on market forces, one that is more free.

They have set themselves, as you know, a goal for this year of building in government hands 3 million tons of such working stocks, along on top of their regular pipeline requirements. This we think is a very essential kind of investment for them. It is an investment almost analogous to that in a fertilizer plant. And of course any estimates of the end of the need for Public Law 480, Title I, in the traditional sense would have to abstract from vagaries in the weather that still can certainly afflict them as it did the year before last and last year.

Nevertheless, this is a very encouraging picture. It is one of self-help in action, we think. It is one where the self-help features of the 1966 legislation have been marshalled to very good effect.

I might just say one more thing, Mr. Chairman, about this agriculture revolution.

There is very much a political revolution underlying this. Farmers have become politically important in the last two or three years in India in a way they never were before. They get to see ministers much more readily, and officials. Agriculture's representation in the high councils of government is much more effective. Indeed, Indian newspapers have gotten to talk rather freely about the emergence of a farmers' lobby, and I think in a very constructive way.

This is ultimately what gives us confidence that the maintenance of incentive prices for farmers is going to exist.

Mr. Chairman, I think perhaps I have talked as much as I should. I have not touched on the other side of the population problem—the efforts that are also going forward with respect to population control, a policy of the government of India for I guess the last 16 years, but one that has gotten a new lease on life only—also within the last 2 or 3 years—from about the middle of 1965.

Here the problem is more difficult, but there has been an enormous increase in the commitment of leadership, both administrative and political—a very, very big increase in the commitment of money—and a set of programs that have greatly increased the rate of what the

technicians call birth preventions—but one that has not yet added up to a sufficient pace to reach the targets that the Indians have set for themselves.

This is still rather early in this complicated effort, and I see no reason to think that further kinds of effectiveness will not be tried.

I have not said anything about the title II programs, of which we are very proud, and I know you are very proud—especially the work of the voluntary agencies. These did an enormously good job in Bihar during the drought. In fact, title I and title II together made much of the difference in Bihar between what could have been a rather ghastly disaster in terms of death, and one that was remarkably well contained.

Perhaps the greatest credit for this goes to some very effective administration on the part of the Indian Government, and even the State Government of Bihar.

But Ministers of the Indian Government including the Food Minister, and I think the ex-Food Minister when he was here recently, and others, have expressed their gratitude to the United States. I think probably no body in the world is more specifically responsible for the response we made to that Bihar situation than this committee. I wish, therefore, that you rather than I had heard the statement of the Chief Minister in Bihar when I was there last June—it was really a very extraordinarily warm and touching expression of gratitude for both the title I and the title II programs.

In title II, as some other testimony presented to you has indicated, we have been shifting towards, again, self-help development uses, under the auspices of voluntary agencies, and have a number of grass roots rural works and development projects now going that show a good deal of vitality. These are improving the ability of particular groups of Indian peasants to make their own way, and to support such things as child feeding programs out of their own resources.

I would be very happy, Mr. Chairman, to answer any questions.

The CHAIRMAN. Well, Dr. Lewis, we are pleased to have you with us. We know—at least I know of, and I am sure the other members of the committee know of your work in India. We are glad to have a report of what is going on over there. Of course, it is the largest of our 480 activities.

I wanted just to get it clear, because it is so often a question—about the relative efficiency of production in cotton and of food grains in India, cereal grains, as compared with United States productivity.

I understand that India has something like a 19 or 20 percent efficiency rate in cotton production as compared with the United States. That is about right, isn't it? That is, they produce only 18 or 19 percent as much cotton per acre as we produce, isn't that right?

Mr. LEWIS. I think that is right, Mr. Chairman. I trust your figures on that.

The CHAIRMAN. We produce approximately 550 pounds per acre. They produce less than a hundred.

Now, as to wheat, I understand their production is about 45 percent as efficient as the United States. Is that about right?

Mr. LEWIS. I should think—what you might call an average of the better farms—but before these high yielding varieties, yes, I think that would be about right.

The CHAIRMAN. The only point I am making is that it has long seemed to me that India was devoting a good deal of effort to the less efficient crops, and probably not enough to their more efficient crops.

Now, they have, of course, benefited greatly by improved varieties, by use of fertilizers, they have benefited by the use of insecticides, although I do not think that the percentage there has been as spectacular as it has been in the United States, the use of pesticides and insecticides. Is that probably right?

Mr. LEWIS. I am sure the percentage is not as great as here. Of course it is not as great yet in fertilizer.

Pesticides have been expanding in supply at the rate of about 25 percent per year which is a good growth rate.

The CHAIRMAN. Now, another thing of which I am not at all sure, and I would like to have enlightenment. It has been reported to me, within the last 2 years, that the price of wheat has moved up considerably in India. I know that you pointed out that there are supplies that help to hold the price more or less stable. But it is true, is it not, that the price of wheat is now considerably higher in India than it was, say 2 years ago?

Mr. LEWIS. Yes, sir, and very much higher than it was 3 or 4 years ago.

The price of wheat, I think, peaked probably last fall, and it has been settling down some since.

The CHAIRMAN. That would naturally follow from the large crop that they grew this year?

Mr. LEWIS. That is right.

The CHAIRMAN. Now, doesn't the very fact that the price of wheat is now substantially better than it was—doesn't that tend to give them greater and more efficient production of wheat?

Mr. LEWIS. Yes, sir; I believe it does.

The CHAIRMAN. Without an increase in the price of wheat from what it was 3 years ago, let us say, it would have been impossible to have had the increase that they have had in the use of fertilizer, would it not?

Mr. LEWIS. I think you are absolutely right, in fact, it was not until the price spread between food grains and fertilizer widened out in 1963-64 that fertilizer demand really began to move. Then it took off like a bird, and it has been flying ever since.

The CHAIRMAN. I think that is the history of all the world—that unless you are getting enough for the products of the soil, you cannot increase the production of that land. And I would just like to nail that down everywhere I can.

I think that it seems to be quite clear that in a good many of the developing countries the authorities have felt, just as we do here in the United States oftentimes, that it was good politics to try to keep the price of the basic food items, particularly cereals, as low as possible in order to satisfy the large number of consumers. That has been the philosophy in a great many, and is the philosophy in a great many of our developing countries now, as I understand it.

To me that is a self-defeating policy, because as you keep that price down, you induce the incentive and the ability of the domestic farmers to provide food, and the result is, as I see it, in almost every case, that there is less of the food, not more, at home, and the country must

either use its foreign exchange for something that it ought to produce at home, or it must exist on charity.

Isn't that a pretty fair statement?

Mr. LEWIS. Well, sir; it is an exactly fair statement for India. There certainly was a strong political bias towards holding down prices, and this, I think, characterized the situation up, as I say, until about 1963-4, when there was, as it were, an inadvertent price rise—not one that was intended. It had this almost explosive effect in kindling the demand for fertilizer. And it helped to make the Indian Government and officials take a new look at the whole matter of incentives.

There is now very strongly dominant just the view that you express—that the prices for farmers must be kept attractive. And this is fortified, as I was saying, by this rather strong emergence of political power in the hands of farmers.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. When will this bumper crop be harvested?

Mr. LEWIS. It comes mainly in two bunches. The karif crop is the crop that is planted in the summer or late spring, and harvested in the autumn, and that is when the rice is largely harvested and millets, and maize grown around the calendar—corn. The wheat is all a rabi crop, a winter crop, and it is harvested from, say, late March until early May, depending upon the area.

Mr. O'NEAL. This is the one you are so optimistic about.

Mr. LEWIS. Both of them. The karif crop was excellent. It was probably in the range of about 67 million tons. And the rabi crop, relatively speaking, looks even a little better.

Mr. O'NEAL. I just wonder how you could be optimistic about the one that was not planted yet.

Mr. LEWIS. The two crops are the—

Mr. O'NEAL. The one harvested last fall is counted in 1968.

Mr. LEWIS. It is carried in 1967-68.

Mr. O'NEAL. I see. Thank you.

The CHAIRMAN. Are there other questions of Dr. Lewis?

Mr. GATHINGS. Mr. Chairman—Dr. Lewis, I have found that extemporaneous statements are more effective than if you had dictated your statement. It would have been less effective, I think had you read your testimony. But you have given us a real fine picture of the situation in India.

I was quite impressed with your overall statement. But now with respect to the population explosion phase of your testimony. I did not hear some of your comments, and I did not quite get the full significance of what is being done in the area of family planning.

I realize that it takes time in a matter of this kind. It cannot be done overnight. It takes years to do it.

But I take it from what you said, Dr. Lewis, that they are moving forward in trying to solve this problem, is that correct?

Mr. LEWIS. Yes, sir, they certainly are moving forward. They have committed much more in the way of leadership and administrative resources, and much more money, and they have a much more elaborate, if you will, strategy than was the case a few years ago.

It is what they call the cafeteria approach.

Mr. GATHINGS. How does that work?

Mr. LEWIS. All kinds of devices and techniques are offered. They are not trying to put all their eggs in one basket. They are trying to distribute conventional contraceptives, and indeed they are going to be engaging in a rather remarkably vigorous commercial distribution, subsidized commercial distribution, of conventional contraceptives very shortly. They also are using the IUD's the so-called loops. They are using visectomies—voluntary sterilizations—they are the world's leader in that respect. And they are beginning to experiment now, in a rather large way, with the pill, the oral contraceptive.

All of these things are being tried. So far, if you add up all the results, they still do not total the rate of impact that is needed to make good their goals. But they are very aware of this, and they are trying to improve the effectiveness of each technique, and also looking for new ones. They recognize there may need to be some further research, further technology, before they can make the grade that they have set for themselves.

But it is certainly a vigorous program. It is well led, and it is such an enormous change from 3 years ago that one would have to give it high marks.

Mr. GATHINGS. Well, now, the act of 1966, Public Law 480 extension in 1966—did it have a salutary effect in this field?

Mr. LEWIS. It certainly did.

You remember that section 104(h) provides that local currencies can be used for family planning. In the agreement that we signed in February of 1967, we dedicated 100 million rupees for this purpose, and these are contributing very importantly to their budget.

We have done another very interesting thing you might like to hear about, Mr. Gathings.

One of the problems in India is the problem of bureaucracy. It is true I think in most countries. But it is very hard sometimes, even though you have finances provided in a budget, and all of the policy decisions are made—it is very hard to get the necessary administrative clearances in time to get things done, especially for experimental, new, innovative projects.

And so they have agreed to take a bundle of these 104(h) rupees, and put them in a special fund that is administered by an ad hoc committee of three secretaries, they can skip all the ordinary clearances. They can give quick decisions on innovative projects. And this we find a very very helpful way of getting some new projects going.

So the 1966 legislation has been very helpful indeed.

Mr. GATHINGS. That is most enlightening. I appreciate so much your fine testimony to the effect that significant progress is being made with respect to this matter.

The CHAIRMAN. Thank you, Mr. Gathings.

Now, Mr. Teague, wanted to ask a couple of questions I believe, and he had to leave. Mr. Murray has the questions. Mr. Murray can ask the questions.

Mr. MURRAY. Thank you.

Congressman Teague was particularly interested in the rodent control program being followed in India, and of course the intensification of this program that has been accomplished in the recent 2-year period.

Mr. LEWIS. Well, I would say that so far as the rodent problem is concerned, it is recognized, there is a spotlight on it.

The Ministry of Food and Agriculture has organized to give strenuous attention to it. There have been some seminars held that have tried to sort out the scientific dimensions of the problem.

The estimate of total losses that is used by the Government of India, after much cross-examination of the various evidences, is something like 20 percent of the crop goes to food losses of all kinds, including rodents, birds, and insect pests. This is from the field all the way to the final consumer. It is much too high a figure ideally. It is not, however, an outrageous figure compared to the experience in some other countries, and it represents an improvement.

I think that rodent control generally is much more satisfactorily in hand in the case of food that has been harvested, and particularly moved on into the distribution system, where it gets into reasonably decent warehousing, either private or government. Government warehousing, particularly that around the ports, where our Public Law 480 supplies come in, is recognized, I think, by all of the experts as being really quite excellent and the rodent problem is limited in those cases.

Much of the private warehousing in the cities is also pretty good.

Warehousing or storage space as you get back toward the cultivator gets poorer and poorer. That end of it is being worked on by programs to try to make available effective rodent-proof small metal bins and so on for cultivators. Private enterprise is being encouraged to go into that line of business.

Where the problem is still largely unsolved is the field losses.

I believe that that is a part of the problem that worldwide people are finding most difficult.

There have been instances in India where intensive campaigns have made a real dent on field rodents.

I remember I was up in I think probably April of 1966 at the site of the Uttar Pradesh Agriculture University. We have a team from the University of Illinois there, and it is a fine institution. They had fields of wheat, and they were just riddled by the rats.

Now, in 1 one year's time, by massing the efforts of everybody connected with the university farm, and the surrounding farms, which happen to be fairly large ones, and responsive to guidance from the university, they have cut down the rodent losses very radically.

But it does take an all-out effort, and there is some missing technology that would make it easier.

Mr. MURRAY. Is rodent control one of the self-help criteria you are trying to enforce?

Mr. LEWIS. Yes: it is. The dedication of sufficient effort and resources to this is one of the things that we look at. We think that their progress on the input side is quite good. As far as we can tell, they are making some dent on the output side.

In AID we have one of, I think, the better rodent control specialists from the United States. He was for many years with the Food and Drug Administration, and he was working very closely with the Indians, trying to improve their methods.

Mr. MURRAY. How much are they putting in in terms of their resources, into this rodent control activity, in their new scheme, in terms of rupees?

Mr. LEWIS. I don't have that number in mind. I would be glad to get it for you.

Mr. MURRAY. I think it might be interesting to have it. And also how much are we putting in in technical assistance. How many personnel do you have besides this one expert?

Mr. LEWIS. This is the only American on our staff specifically focused on this subject.

I think there are not very many people of this kind available.

Mr. MURRAY. This does not represent any change from 2 years ago, because as I recall we had testimony then there was one man on this problem in India at that time.

Mr. LEWIS. He may have been working part time. We never had a full-time man until last October. It took us about a year to get hold of him and get him on board.

Mr. MURRAY. If you could furnish for the record the amount of rupees and AID funds that have been allocated for this, I think it would be of interest to the committee.

(The information referred to above follows:)

GOVERNMENT OF INDIA AND U.S. BUDGET EXPENDITURES FOR RAT CONTROL

INDIAN FISCAL YEARS (APRIL 1-MARCH 31)

[In thousands]

	1968		1969		1970	
	Rupees	Dollars	Rupees	Dollars	Rupees	Dollars
Government of India direct expenses, cash subsidies, material.....	3,200	426	10,400	1,383	10,400	1,383
GOI partial and indirect expenses: Staff, State plant protection research.....	8,704	1,578	8,704	1,578	8,704	1,578
GOI and State: Cooperative investment in rodent-proof storage.....	9,350	1,320	8,260	1,099	9,000	1,197
Total GOI.....	21,254	3,324	27,364	4,060	28,104	4,158
AID:						
Staff.....	122	16	258	34	258	34
Projects.....	19	2	1,550	206	1,550	206
Ford Foundation.....	10	1	10	1	10	1
Total United States.....	151	19	1,818	241	1,818	241
Grand total.....	21,405	3,343	29,182	4,301	29,922	4,399

Mr. MURRAY. Another question lies in your projections at the time of Indian population growth, both for the immediate 10-year period coming up and by the end of the century, based on current trends and current estimates that are realistic from your standpoint.

Are they going to hit 1.2 billion by the end of this century?

Mr. LEWIS. I do not know. Just a minute—I think I have a figure here.

The particular set of projections I have here in front of me would run nowhere near the end of the century—only to 1974-75, which is the medium term target the Indians are shooting for. This target would try to hold the population to 600 million by 1974-75. If the present rate of population growth were not retarded, population would be somewhat in excess of 650 million by that time.

The same projections begin to involve rather massive differences as you move into the eighties and nineties, but I do not have those figures at hand.

Mr. MURRAY. Would you provide those for the record as your best estimate of how population growth in India is going at present rates, and how it would compare with the rates that India anticipates they are going to reach? I know this is a difficult thing to estimate.

Mr. LEWIS. Yes. As a technical man, I hate to put my name to projections for the year 2000. But I will provide that; yes, sir.

Mr. MURRAY. I think this is important. We are trying to have it in focus as best we can in order to plan the food commitments that are to follow from that, and to correlate it to productivity increases in Indian agriculture, and then see if they really are realistic in their assessment of their population and food equation.

(The information referred to above follows:)

INDIA—POPULATION PROJECTIONS

To date neither A.I.D., the Government of India nor the United Nations Advisory Mission on the Family Planning Program in India have projected population growth in India beyond 1991. While both the Government of India and the United Nations team used different assumptions their projections reach similar numerical conclusions. Both projections indicate that the population of India, which exceeded 500 million in 1966, would be around 654 million in 1975 and more than 1,000 million in 1991 if fertility remains unchanged during the period 1966-1991. This projection assumes that the birth rate would rise from 2.5 per cent per annum to 3.0 per cent per annum by 1975. At this rate population doubles in 23 years.

With a moderate decline in fertility from the present 41 per 1,000 to 25 per 1,000 by 1985, the population would increase to over 800 million by 1991 and the growth rate would decrease from 2.5 per cent to 1.6 per cent per annum by 1985.

If the Government of India attains its objective of reducing the birth rate from 41 to 25 per 1,000 by 1975 and the birth rate continued to decline after 1975, the population would be somewhere around 700 million in 1991—300 million less than the projections which assume no family planning program. The growth rate would be less than 1 per cent per annum.

The Government of India, United Nations and A.I.D. recognize that additional work is needed in the field of population projection. Towards this end, A.I.D. is helping the Chembur Demographic Training and Research Institute near Bombay develop capability to include work on a long range population projection.

Mr. MURRAY. One of the other questions was on the percentage of U.S. uses—percentage of currencies that are set aside for U.S. uses in the last 2-year period in India.

Mr. LEWIS. I think that the United States uses as such were 8 per cent in the recent agreements. Yes—in both the agreements of February 20, 1967, and June 24, 1967, they were 8 per cent. And I think that is characteristic of the others.

Mr. MURRAY. And the balance; what percentage of that is in grant, these last two agreements?

Mr. LEWIS. The bigger grant percentage was in last February, February 1967 agreement, where we had 22 percent grant: 10 percent went for the 104(h) that I mentioned, and 12 percent went for 104(f) grants.

In the June 24 agreement there were no grants.

Mr. MURRAY. What percentage of that, then, or funds, either one, was used for family planning activities in cooperation with the Indian Government?

Mr. LEWIS. Well, the only rupees we have provided thus far are the 104(h), the hundred million rupees I mentioned earlier.

Mr. MURRAY. What is the dollar equivalent of that?

Mr. LEWIS. Multiplied by—well, it is 131½ million.

Mr. MURRAY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Murray.

Mr. PURCELL. Mr. Chairman—Dr. Lewis, first let me say, although I had to be in and out of the room part of the time you have been testifying, I am impressed with your testimony and your knowledge. We sometimes make remarks about the State Department, that are not always totally complimentary. I think you appear to be a very good hand over there. I want the record to reflect that you have made a favorable impression on me.

The area I want to question about very briefly is just this.

Is the private sector of American agribusiness, fertilizer people, implement people, or whoever else might be appropriate—are they, in your judgment, fairly active in working in India at this time?

Mr. LEWIS. I think, Judge Purcell, my one sentence answer would be "Yes."

Now, this would be—have to be qualified. They are not as active as I, as a person long interested in Indian development, would like to see them. But I think that under the circumstances, including, difficulties that in the past they have had operating in India, and including attractions in other countries, and indeed the very real attractions in the American market—I think many American firms have shown a very real interest. And furthermore, this has been very clearly on the rise, alongside of this new vitality and profitability in Indian agriculture.

American firms are now in fairly large numbers getting interested in Indian fertilizer production. And of course a large number in fertilizing means really a great deal of capacity, because these are big units, and there are a number of American firms either who have committed already or very close to making serious deals. There are firms working in the tractor and farm implements field, and we hope to see a number more brought in within the next few months. And there are people working in pesticides. There are firms who have been looking into seed production, multiplication, distribution.

I think there is a great opportunity for clusters of American firms complementing each other to work more or less as a team in the agriculture field now, and this is increasingly talked about and planned for.

I think it is quite a healthy outlook.

Mr. PURCELL. The reason I am asking—have you been attending these hearings?

Mr. LEWIS. No, sir: I have not.

Mr. PURCELL. There has been some comment from some members—and this is legitimate I suppose, but I do not agree—that the private sector of our agri-business people are not putting money into these developing countries except in the hope of a greedy direct return for them.

I am of the impression, not merely regarding India but other places—that some of these firms in the United States have gone to quite a lot of expense, hoping eventually to develop markets or develop something they can make some money out of.

Could you make any statement in regard to this?

Are there food supplements going toward development? You have already talked about the fertilizer plants. But I take it that it takes a lot of American money, or money of some kind to build a fertilizer plant, or go into production or distribution of a supplementary food, with quite a long period before any real profit can be realized.

Am I correct in that assumption?

Mr. LEWIS. There is certainly—in the fertilizer plants—a long gestation period. It takes a considerable time to build a plant. The Indian fertilizer market is booming now so that I think as soon as you can get the plant onstream and control your costs it begins to be profitable. Thus the waiting period is not too long.

Generally it seems to me that the healthiest way for American businesses, or any, to come into a country like India, is to come in part seeking profit. This makes it a straightforward, hard-headed operation. And I would not like to, or would not advocate that business ventures be, undertaken purely for welfare purposes.

On the other hand, I can testify, having met a very large number of American businessmen in India, looking at the Indian scene and so on, that their approach is constructive. They see the relation of what they are thinking about to U.S. national interests, and to the opportunities for developing the Indian economy. And I would generally characterize their approach as quite wholesome.

Mr. PURCELL. Assuming that they all have a vested interest in what they are doing there, has it added to your ability to see that India is headed in the direction of having more self-help, and being more productive as a country?

Mr. LEWIS. It certainly has.

The biggest—I come back to fertilizer, just because the quantities of money involved there are so much larger.

Fertilizer, for that reason, bears a special relationship to this whole new agricultural strategy. Indian production has to be raised very radically. And if it had not been for the willingness of foreign firms, especially Americans, to invest it would be impossible for the Indians to be as far along as they are toward these targets.

Mr. PURCELL. I take it that as the person in charge of the U.S. Government phase of working with India, you like and appreciate the development, the money spent and the enterprises that have been brought by U.S. capital and U.S. know-how and U.S. business people to India.

Mr. LEWIS. Most emphatically, yes.

Mr. PURCELL. And have you found the vested interests that the American businessman has in his company a deterrent or a benefit to your efforts in India?

Mr. LEWIS. I think any businessman to be very effective has to have a vested interest in his company and its profits, and, therefore, I am glad that they have that.

Mr. PURCELL. Do you think some of these American businessmen, men representing business firms that have development, and a vested interest in India, might have knowledge that we would benefit from, if we can get them before our committee?

Mr. LEWIS. Yes, indeed; yes, sir.

Mr. PURCELL. One or two other questions.

Now, the thought has gone through my mind that whether or not we—you, I guess, really, individually—could do any more than we are

on cooperating with, say, a chemical company, a leader in fertilizer development, or a pesticide manufacturer. Do you provide, for instance, test plots through counterpart funds or whatever they are whereby an American chemical company trying to develop a spray that we will say is a pesticide—is there a cooperation between you and the Indians and the American company in let's say, of getting test plots in which a company's fertilizer or pesticide or insecticide could be tested under the circumstances that exist there?

Mr. LEWIS. Well, sir, I am not sure that we have just what you are speaking of—test plots. I do not believe there would be any difficulty in an American firm getting test plots allocated from the Government of India. I doubt if it would cost it anything to do that, for testing different preparations.

We cooperate with the American companies in a number of ways, and we deal with them quite closely. The most important assist we have for them is the extended risk guarantee program, where AID is in a position to insure them against all commercial risks on a majority of their investment. This greatly increases the attractiveness of investment for companies, and necessarily brings us into quite an intimate relation with them. In this kind of relation we are interested, along with them, in researching the market, projecting it. And if a question about the effectiveness of a particular product arose of the sort that you suggest, we would certainly be interested in trying to work up that test, help them work it out.

I do not recall offhand just such an instance.

Mr. PURCELL. There is nothing that prohibits you working with an American company and the Indians, and you furnishing some of our rupees for their taking a few acres and trying out their product—there is nothing in the law or in your rules that prohibits you doing that, I take it?

Mr. LEWIS. I think that is right, sir. I would surely expect we could work it out if the case arose.

Mr. PURCELL. I take it you would be anxious to work it out if the companies came to you with this need?

Mr. LEWIS. Yes.

Mr. PURCELL. As far as you know, the Indians would be cooperative toward assigning plots of land?

Mr. LEWIS. Oh, yes. One thought that occurs to me offhand is that it might be very sensibly done in one of the agricultural universities. We have teams working in all seven of the State agricultural universities. And this would be a natural place to do this.

Mr. PURCELL. But as far as you know it is not now being done?

Mr. LEWIS. Not, I think, in just the way you suggest; no. There are plenty experimental demonstration plots—and plenty of experimental work going on. But I am not aware that it is being sponsored by a particular American company. It may be, but I am not aware of it.

Mr. PURCELL. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

If not, we are very much obliged to have had you, Dr. Lewis. We appreciate your attendance.

Now, is Mrs. Durkovic here?

We will be glad to hear from you.

STATEMENT OF MRS. JOHN DURKOVIC, A HOMEMAKER,
SILVER SPRING, MD.

Mrs. DURKOVIC. Mr. Chairman, members of this committee, this is the first time I have ever testified. I am testifying as a homemaker.

My name is Vera Durkovic. I am a mother of three sons and reside in Silver Spring, Md. I represent no consumer groups or producer groups.

I come before you first as a concerned Christian, and then as a concerned citizen and homemaker about the hunger that is so prevalent in the world today. I daresay my concern would be echoed by a vast majority of Christians and citizens and homemakers throughout the Nation.

We ask ourselves, What can we do?

May I impress upon you my plea that the food-for-peace law that you enacted in 1966 be extended for at least 3 years. This would give us an opportunity to continue to pursue some of the splendid suggestions and ideas that were expounded by the expert panelists present at the second International Conference on the War on Hunger—such as self-help, education, technical knowledge, use of fertilizer, population control, increased farm prices, improved program coordination along with our export of free enterprise and food.

As I sat there listening at the conference, I wondered what was holding us back when we seemed to have so many answers to the problem of hunger in the world. All systems pointed to go. However, in my small way, I can see it is a very complex problem to solve. Yet my eyes, along with others, are upon you, the leaders of our Nation, to take this issue off the launching pad, to keep the hope of the world high.

Also, I was surprised to learn that our farmers today are suffering from low prices on their farming products—while food prices have increased considerably. "Modern packaging" was pointed to as one of the reasons. In talking about modern packaging, our puffed rice and puffed wheat has been honeyed up, which I can accept, and now we are packaging low-calorie honeyed puffed rice and puffed wheat. If this kind of packaging causes an increase in prices on cereals, I believe the homemaker would just as soon decide for herself whether or not she wants to sweeten her cereals.

Now, that does not seem to be the total answer.

I find, for myself, that suddenly carrots are selling for 25 cents a pound, and not too long ago they were being sold 2 pounds for 35 cents. The packaging is the same. I wonder who is getting the profit, if not the farmer.

This distresses me.

May I present an idea to go along with the question—"Can an ordinary American help?"

I remember the victory gardens we had during World War II. It was the first time I raised my own vegetables, and it was a thrill. We all combined our efforts, our aims, and resources toward a common goal—to help win the war. And I cannot help but feel that somehow we could alleviate world hunger by producing some of our own vegetables, by having food-for-peace gardens. This would allow the farmer to produce more grain or soybeans instead of vegetables, or use some of the vegetables now for domestic use for export use.

Another thought struck me while attending the War on Hunger Conference, was made by a narrator during a film showing when he said "Jungle growth is useless as food." My question is—has research been exhausted in this area?

Lastly, we, the people of our Nation, need more education on how we can truly solve this problem of world hunger. And I agree with Vice President Humphrey's remark made at the War on Hunger Conference, when he said "Get radio, TV, and newspapers to teach facts."

In closing, I would like to recommend your perusal of Mr. Aaron Sheinfeld's proposal "Build-Sell," which was available at the War on Hunger Conference. I believe it has merit.

Thank you.

The CHAIRMAN. Thank you very much. I appreciate your comments here.

I would want to call attention to the same thing that I have mentioned so often, and that is that if you simply reduce farmers' income, they will not be able to produce more. Merely taking away from farmers is not going to enable them to produce more, because they have to spend money to produce. And if we were all to produce home gardens—and I appreciate what you said there, because I, too, had a victory garden, and I wish that I had one now. But I realize that merely taking the business away from the farmer, the man who depends upon his farm for a living, is not going to solve much of anything, because he is not going to produce more of the things that we might need to ship, because he cannot afford to.

He has to have the opportunity to buy these things that are necessary to produce abundantly, and he does not have it when he is getting less than he got 20 years ago. Agriculture is about the only substantial industry that I know of anywhere that is taking less for its products today than it did 20 years ago. We are getting 10 percent less for farm products than we got 20 long years ago. Yet everything the farmer buys is costing him probably two to three times what he had to pay 20 years ago.

So he has to have some kind of increase in income if he is going to increase his production to feed these less productive people the world over.

Mrs. DURKOVIC. I don't pretend to know the answer. But I wonder why is he getting so much less today?

The CHAIRMAN. The competition is such in our markets that as the distributor of goods seeks to find where he can make his profits, he always finds he can push back on the farmer easier than he can push up on anybody else. That means he can lower prices to the producer more easily than he can lower the wage of the laborer that works in the plant, more easily than he can raise the price to the consumer, and that he can more easily charge the costs of new processing, packaging, preparation, cooking, those sort of things, to the farmer rather than to charge them to the consumer. That has been going on for a good long time. In fact, I think it has been going on ever since Biblical times, as far as I can understand, even back in the days of the Pharaohs—the farmers were the people who got very little, and they have always gotten smaller return than have city people.

Today farm income, the income of the average farmer, is about two-

thirds that of the average nonfarmer. It has been that way. We are struggling to try to change that situation.

I am not one of those who believes that farmers should get all they can squeeze out of the public, but I think they ought to be able to get a fair price, what we call parity price—that is the same relationship between the cost of things that farmers buy and the things they sell, as has existed in the past. We have not been able to retain that relationship. That parity ratio is only 79 percent of what it was 20 years ago. And that includes all the Government payments. Only 74 percent if we leave the Government payments out.

This has been the thing that has concerned this committee probably more than anything else—is the very question you ask—why has this happened, and how can we rectify that situation?

I know there are dozens of different answers that are suggested. I hope we can get an answer.

Are there any questions?

MR. PURCELL. I would just add to what the chairman said, and point out to the witness that the figures will show, anybody's figures, that the increase in the price of food is about 25 percent in over 20 years to the consumer. And in the same period, clothing and transportation, on a survey as recently as December, in New York City, showed that clothing and transportation increased between 260 and 300 percent during that time. And then, further, I would just point out on a relative basis, today Americans are using between 17 and 18 percent of their consumable money for food, where prices are as low as it has ever been with respect to what people are making. And we are being fed more cheaply than any other country in the world today.

So, of course, we get a little bit concerned when people come in and say the price of food has gone up, and do not seem to give the same credence to the fact that it has increased some—through labor, packing, transportation, but not to the producer. But we do not hear anybody complain about the price of beer, cigarettes, motorboats, or gasoline. And we think the country needs food worse than any of those things.

MRS. DURKOVIC. My point was that I thought the farmer was gaining the profit—according to reports he is not.

MR. PURCELL. We are afraid most people think that, and it just is not so. And that is why we need more missionaries like we would like to make out of you.

THE CHAIRMAN. Neither Mr. Purcell nor I intend to be critical of your suggestion. We are glad to have your comments. We simply feel we have an opportunity to present another viewpoint on it.

MR. PURCELL. And we want to say to you that we want to be just as conscientious as any citizen of the world or of this country, with maybe a little more opportunity than the average person has, because of our opportunity to serve in this Congress. We need the help of others to help us get a better income for these people who are the real heroes of the entire society, I think—the ones who feed you mothers and the babies and the young people of this country, and have them growing bigger and healthier, through being more cheaply fed. But this is not understood, and we want to make you our missionary and disciple to cure the misunderstanding, if you would.

Mrs. DURKOVIC. Thank you. I will do my best to do so.

The CHAIRMAN. We thank you so much, Mrs. Durkovic. We appreciate your attendance.

The committee will stand adjourned until 10 o'clock tomorrow morning, when we will continue.

(Whereupon, at 5 p.m. the committee was recessed, to reconvene at 10 a.m., Thursday, March 7, 1968.)

EXTENSION OF PUBLIC LAW 480

THURSDAY, MARCH 7, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Abernethy, Purcell, O'Neal, Jones of North Carolina, Dow, Montgomery, Brasco, Rarick, Belcher, Teague of California, May, Dole, Wampler, Goodling, Miller, Burke, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; and Fowler C. West, assistant staff consultant.

The CHAIRMAN. The committee will please come to order.

We are meeting for further consideration of the possible extension of Public Law 480 and any possible changes or modification of the program, and as we have scheduled for this morning a rather extensive list of witnesses, we will have to move as rapidly as possible.

We have the American Council of Voluntary Agencies for Foreign Service listed as first, and they have a number of representatives here.

I take it, Mr. Confer, that you will make the presentation for the council?

We will be glad to hear from you now.

STATEMENT OF BERNARD CONFER, CHAIRMAN, AMERICAN COUNCIL OF VOLUNTARY AGENCIES, AND DIRECTOR, LUTHERAN WORLD RELIEF

Mr. CONFER. Thank you, Mr. Chairman.

May I say that I am pleased to have with me members of the member agencies of the American Council. On my far left is the Right Reverend Monsignor Landi, and on my immediate left, Mr. Herbert Katzki of the American Jewish Joint Distribution Committee, and on my right is Mr. James Lambie of CARE. It is true that in the American Council we have a common bond of representative agencies of which we are all members; however, each will speak for his own agency. I am confident that if others of our 44-member agency were here you would find that they would want to say many of the same things that we will say.

My name is Bernard A. Confer. My office is in New York City. I am the executive secretary of Lutheran World Relief, a nonprofit agency which gathers and distributes material relief supplies and engages in

other projects of social service and economic development overseas. Lutheran World Relief is supported by the Lutheran churches in this country with a combined membership that exceeds 8½ million persons. Since its organization in 1945, Lutheran World Relief has shipped to 45 countries commodities valued at more than \$193 million, of which 49.8 percent has been donated by the U.S. Government; 50.2 percent represents gifts from private sources, mostly members of our churches.

Also 20 years ago our Government began its program of making food available to the voluntary agencies for distribution abroad. Lutheran World Relief held then and believes now that the decision of our Government to make food available for hungry people overseas was a right one. Lutheran World Relief, along with other agencies, has participated with appreciation in the development of broader programming overseas. On a number of occasions Lutheran World Relief and related agencies have taken official action to commend the Government for its policy directed to sharing America's resources with those who are in want.

We express the urgent hope that the Congress will see fit to extend Public Law 480. Over the years this law has been an instrument that has enabled the American people to reach out in a beneficial humanitarian way, and in a way representative of the best of the American spirit, to millions of people who have suffered from war, flood, drought, earthquake, and tyranny, and to multitudes of other people who have been hungry through no fault of their own. We have gratefully hailed the proposal made by the President 2 years ago—that the United States give leadership in a “war against hunger,” and we urge this effort be pursued even more vigorously. We acknowledge with equal appreciation that numerous Members of the Congress have spoken out forthrightly in favor of measures designed to free mankind from hunger.

Right now, the family of man confronts some crucial and cruelly difficult problems. Already the world's population is in need of more food than is being produced. The specter of starvation looms frighteningly close. For example, the inadequate supply of rice for the nearly 2 billion people in Asia has brought humanity to the edge of a food crisis which, already dangerous, is threatening to become disastrous. The means of increasing production are at hand, but time is short for applying them over a vast land mass plagued by wars, lack of education, and an inhibiting devotion to the past.

I pay tribute to this Committee for its outstanding hearings in February and March, 1966. The record of those hearings includes expert testimony of men and women exceptionally well qualified to speak on needs around the world, on population control and on agricultural production. It has become a valuable reference work used across our country.

Public Law 480 is making an increasing contribution to international development. Both through voluntary agencies and through foreign governments, food has effectively been made available for economic and social development. In 1967 United States-based voluntary agencies, with support from both the private sector and the Government, again increased their own involvement in projects designed to add to agricultural production in hungry nations. Often working with international partners, and regularly through counterpart agen-

cies in recipient countries, voluntary agencies provided resources and technical know-how on a scale never attained before.

Along with others, Lutheran World Relief has dipped deep into its all-too-meager resources for this constructive purpose. It has responded to human cries for help, especially from India, where people threatened with a food shortage last year were not only given nourishment but were aided to build more than 500 wells, irrigation ditches, long stretches of road, hundreds of miles of roads, and other facilities which will enable them to grow and distribute more to eat.

The Holy Scriptures testify to God's call to us to emulate His deep concern for human beings. The churches are striving to respond not only by demonstrating compassion for individual humans but also by fending off the broader social, economic and political consequences which could grow out of widespread famine.

It used to be said that starvation was the silent way of death. In recent years such is no longer the case. Severe food shortages in these days are frequently accompanied by demonstrations, rioting and violence, and could lead to disaster.

In countries of widespread deprivation it is very difficult for stable governments to be maintained. We Americans need to be aware that this is particularly true of democratic governments. Severe and widespread hunger potentially leads to tensions among people, social disruption and acts of desperation.

We of the churches feel a tremendous urgency as we look ahead. For that reason, Lutheran World Relief has welcomed the development of U.S. policy beyond the concept of surplus disposal to one of more substantial use of the agricultural capabilities of our country to meet pressing food needs elsewhere in the world. Sharing American-grown food will be indispensable for years to come. Even more important, and offering the promise of still greater long-term benefits, are foreign aid programs which will assist in limitation of population growth and in economic and social development, particularly food production. Such efforts to "help people to help themselves" should, above all, be intensified.

My agency, the Lutheran World Relief, believes and has repeatedly stated that governments carry primary responsibility for international aid, because only they command the huge financial resources required for the task ahead. Our deep concern is that the United States technical assistance and economic aid programs are tending to become not more, but less, adequate.

In closing, Mr. Chairman, I take opportunity to commend the Congress and the Administration for the research, study, and planning that are being directed to the pressing and the complex problem of food shortages in our world.

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

I take it that the only way we can handle this hearing, this morning, with any hope of getting through with the number of witnesses who are here will be to hear all of your witnesses and then have questions of the group, rather than of each individual, because to take up each individual statement—some of the statements being rather long—we would get to a point where we would not have further time to hear other groups and organizations, and it all has to be done within two hours.

Will you introduce the next member of your group, if you care to,

in the order in which you would like to have their statements presented? We will be glad to hear from them.

Mr. CONFER. I think the order of the agenda is fine, and we are perfectly willing to follow any plan that you think is best.

I now introduce Mr. Herbert Katzki of the American Jewish Joint Distribution Committee.

The CHAIRMAN. We are glad to hear from Mr. Katzki now.

**STATEMENT OF HERBERT KATZKI, ASSISTANT EXECUTIVE VICE
CHAIRMAN, AMERICAN JEWISH JOINT DISTRIBUTION COMMIT-
TEE, INC., NEW YORK CITY**

Mr. KATZKI. Thank you, Mr. Chairman, and members of the Committee.

I am grateful for the opportunity which is being afforded me to express, in behalf of the agency which I represent, the American Jewish Joint Distribution Committee, our appreciation and thanks for the magnificent assistance which has been given us by the Congress of the United States and the Department of Agriculture through Public Law 480 in bringing aid to the thousands of underprivileged people whom we are serving. At the same time, as spokesman for these inarticulate, faceless, distant people, the poorest of the poor, may I express their gratitude for the generosity and humanitarianism which have led to the adoption of Public Law 480 many years ago and its faithful execution ever since.

Our agency at the present time is the beneficiary of commodities which are being distributed in four countries, Morocco, Tunisia, Iran and Israel. In the first three of these countries our welfare programs are directed mainly toward the assistance of infants and children of school age. However, it does not begin with children; indeed, our services start with prenatal and postnatal care for mothers; and, subsequently, for their infants. Our assistance, provided through indigenous agencies in these countries, takes the form of well-baby clinics and dispensaries, kindergartens, school-lunch programs, canteens, and many other services.

The feeding programs to which I want to confine myself here are supervised by trained nutritionists and our agency supplies fortifying foods so that, in combination with USDA supplies, balanced meals are provided the beneficiaries, free of charge. We train and supervise the kitchen personnel to make certain that the food is well prepared, under sanitary conditions. In the mother and child health clinics and dispensaries mothers of babies are taught the proper methods for preparing food and milk products so that their infants will have a healthy and proper start in life.

Now, all these programs and projects have been made possible because of the basic commodities which have been made available through Public Law 480. In these countries, when our agency initiated its programs, malnutrition among the child population of the communities we serve and the children's sickness associated with malnutrition were widespread. In the schools we found that children were unable to stay awake in their classes and learning was impeded because they were coming to school without having had anything to eat. There was a high rate of infant mortality, in part because babies were not

receiving milk and other infant foods that would give them strength and a fighting chance for survival.

Public Law 480 and the use and distribution of commodities which it made possible have contributed very substantially toward the alleviation of these conditions. Infant mortality has been reduced in a remarkable fashion. Statistics maintained over a number of years show marked improvement in health, height, and weight. Children no longer show the lassitude in the classrooms which empty stomachs formerly caused.

In our feeding and nutrition programs it is only the poor who are the beneficiaries. Home visits as well as experience have shown that, in the preponderance of cases, the meals provided by the AJDC, represent the only decent daily meals the children receive. In these three countries the JDC is feeding approximately 35,000 persons daily through local institutions associated with it. In addition, some 100,000 persons are assisted with Public Law 480 supplies in a program sponsored by the Tunisian *Comités de Solidarité* under a special program in which AJDC acts as the responsible American voluntary agency.

I said earlier, Mr. Chairman, that our assistance is provided through indigenous agencies. You will be interested to know that local voluntary organizations have made their own, the various types of feeding programs which we started. Local committees have made themselves responsible for the daily operations of these projects. They collect funds to help support them. Parents make token contributions toward the costs where they can. Contributions in the form of commodities are solicited locally. In short, local organizations and communities, encouraged by Public Law 480 assistance have shifted over, to the extent they are able, to a self-help process.

In Israel, our agency contributed to the support of several groups of schools. These schools provide meals and foodstuffs to their students. Public Law 480 commodities play a most important role in the maintenance of these feeding programs. But in addition to that, and more importantly, those commodities represent basic elements in the food given to the inmates of 11 institutions for the aged and handicapped which our agency maintains in that country. Whether it is the schools with their 18,000 students or the 11 institutions with their 3,700 inmates, the Public Law 480 items help make possible the maintenance of elementary standards of care which without such aid could not be preserved.

Any person who has seen the vast improvement in health and all that flows from good health can judge the significance and benefit which Public Law 480 has brought to the thousands of disadvantaged people in our programs who were aided by USDA supplies. If those supplies cease, it is my view that it will not be a case of someone else making up for them. They just will not be there. There would be real danger that the progress thus far achieved in these developing countries will begin to fall away.

It is my opinion, based upon personal field contacts, made during 20 years of work overseas, with hundreds of beneficiaries of Public Law 480 supplies, that a great reservoir of good will toward the people of the United States has been created as a result of that law and its operation. Contact between the American voluntary agencies through which Public Law 480 commodities flow and the beneficiaries is direct and con-

stant. The voluntary agencies are regarded as helpers on a people-to-people basis. The support the agencies bring is still needed greatly. Public Law 480 is an essential element in that support. The beneficiaries know from whence their help is coming. Our agency strongly urges the extension of Public Law 480.

Thank you.

The CHAIRMAN. Thank you, Mr. Katzki.

Mr. CONFER. Mr. Chairman, I am pleased to note that Mr. Katzki and our next speaker have both had extensive overseas experience before assuming posts of direction in their headquarters' offices.

Now, I am glad to call my colleague who is a fellow officer of the American Council of Voluntary Agencies and here representing the Catholic Relief Services, Monsignor Landi.

The CHAIRMAN. We will be glad to hear from you now, Monsignor Landi.

STATEMENT OF MSGR. ANDREW LANDI, CATHOLIC RELIEF SERVICES, U.S. CATHOLIC CONFERENCE

Monsignor LANDI. Mr. Chairman and members of the committee. I have a prepared statement here which I would like to submit for your consideration for the record, and due to the limitation of time, if you will permit me, I would just like to read three or four paragraphs from the statement.

The CHAIRMAN. Without objection, your entire statement will be made a part of the record, with the addition of your oral changes.

Monsignor LANDI. My name is Monsignor Andrew P. Landi. I am assistant executive director of Catholic Relief Services—U.S. Catholic Conference. I am representing Bishop Edward E. Swannstrom, who regrettably could not be here today, and I am empowered to speak on behalf of the official overseas assistance agency of the Catholic Church in America.

Mr. Chairman, as the members of your committee know, year after year Catholic Relief Services has been among the ardent supporters of Public Law 480 and all that it has meant to the farmers of the United States, to the national economy, and to the needy of the less-developed areas overseas and through them to the welfare and stability of the entire world. Our position remains the same today. In fact, it can be said that we believe more than ever in the responsibility of the Government and the citizens of the United States have to share the benefits of their skills and good fortune with the economically or intellectually deprived of other countries.

As one who has spent almost the last quarter of a century in the active administration of a program of foreign aid overseas, I feel deeply that the continuance of the enormous contribution which the agricultural sector makes to our overall foreign aid program should remain undiminished.

As Chairman Poage has indicated, times and conditions have changed since Public Law 480 was first passed by the Congress of the United States. Thankfully, there has been a dramatic increase in some areas of the world in the economic viability of some countries, due not in least part to the impact of American assistance. In far too many countries, however, the struggle for virtual survival continues.

Here at home, also, conditions have changed. No longer are we seeking ways and means to dispose of mountainous surpluses. Our food for freedom programs of the past have virtually eliminated them, and the present food assistance programs are being operated, more or less, on a buy-as-you-need basis.

My appeal to you today is for a recognition of the special status of the agencies of the American Council of Voluntary Agencies for Foreign Service as representing the voluntary sector of our overall foreign assistance program. Concurrent with the dwindling of our agricultural surplus, there has grown a new set of guidelines for our national food for freedom programs. The administrators of our foreign aid program are diligently endeavouring to increase the extent of the participation of host country governments in assuming financial responsibility for these programs, not only as a way of easing our acute balance-of-payments problem, but to encourage a greater share of responsibility on some foreign governments for the welfare of their own people. The extension of straight relief is being discouraged. The promotion of programs with long-term objectives based upon the assumption of major or complete responsibility by foreign governments for their continuance when American assistance ceases, is being actively sponsored. In all this meaningful and necessary government-to-government activity, however, the role and the objectives of America's voluntary agencies is in danger of not being fully recognized. Because the concept of meeting individual human needs is slowly disappearing from Public Law 480 title II programs, there is a risk of submerging the humanitarianism which traditionally has been the hallmark of voluntary agency activity.

New criteria and guidelines recently developed and scheduled for implementation by the voluntary agencies beginning with fiscal year 1970, not only do not stem this trend, but actually worsen it.

The Congress of the United States understands and appreciates the vital contribution which voluntary agencies can make, and in the past have made to the stability of many areas. The activities of the voluntary agencies have been responsible for a great number of friends in this troubled world of ours. In a recent letter to Mr. William S. Gaud, Administrator of AID, Bishop Swanstrom pleaded that American voluntary agencies be accorded a separate set of guidelines more consonant with their position and philosophy. He pointed out the negative impact of the termination of assistance to needy individuals rendered on a direct people-to-people basis but cut off on the basis of the foreign country's overall economic viability, although the same individuals remain in serious need. He pointed out that the greatest need existed in areas where host country governments and indigenous groups simply were not financially able to cope with the problems of hunger, and pleaded for a set of criteria for voluntary agency operations overseas under Public Law 480 which would truly represent the compassion and generosity of the American people. So long as a standard of accountability consonant with program complexity is maintained, Bishop Swanstrom said, America's voluntary overseas aid program ought to be permitted to stand for themselves, continuing the amicable partnership with our Government which has existed for so many years.

Reverting again to that subject which is on so many minds; namely, America's balance-of-payments position, I am pleased to inform you, Mr. Chairman, and the members of your committee here today, that Catholic Relief Services is making every effort to husband carefully the number of dollars it spends overseas. Traditionally, this agency has spent the major portion of its annual budget in the United States, favoring American products and services, as befits it, in our opinion, as an American agency. It is continuing to do so. May I also point out that it is a matter of record that voluntary agencies are able to administer programs at a decidedly lower cost because of the huge reservoir of volunteers overseas upon whom they draw, than governmental agencies can.

In the distribution over the past 25 years of foods, clothing, medicinals, and other supplies exceeding in volume $8\frac{1}{2}$ million tons and valued at approximately $\$1\frac{3}{4}$ billion, which have reached as many as 40 million needy men, women, and children in a given year, Catholic Relief Services-USCC has accumulated a wealth of experience in the administration of such programs, and has a considerable depth of understanding of the attitudes and problems of the peoples of less fortunate lands. In these programs, the distribution of a portion of America's magnificent agricultural production has played a considerable part. Under CCC concessional price programs, this agency has purchased for use in countries where it has been possible to continue assistance efforts after the phaseout of title II feeding programs, grains, and dairy products valued at $\$4\frac{3}{4}$ million. In the past 3 years alone, in the commercial markets of the world, Catholic Relief Services has purchased grain to a value of more than $\$6\frac{3}{4}$ million.

Along with the other voluntary agencies, Catholic Relief Services-USCC recognizes the problem of world hunger as paramount. Together with the Government of the United States, it hopes to be able to continue to play a significant role in attempting to alleviate world hunger. Public Law 480 is the natural vehicle through which this kind of assistance can be most effectively given. We, therefore, wholeheartedly espouse the continuation of this law, one of the most significant pieces of social and humanitarian legislation ever enacted in our history on behalf of peoples of other lands. At the same time, we look to the Members of the Congress to recognize the need for a separate and distinct set of criteria under which voluntary agencies may not only continue to feed the hungry but, in so doing, bring to them a better understanding of the depth of concern which the citizens of the most powerful and productive nation on earth have for their less fortunate brethren.

The CHAIRMAN. Thank you very much, Monsignor Landi.

Mr. CONFER. Now, may I turn to another colleague who has had long experience in the field, Mr. James Lambie of CARE.

The CHAIRMAN. We will be glad to hear from you now, Mr. Lambie.

STATEMENT OF JAMES M. LAMBIE, JR., ASSISTANT EXECUTIVE DIRECTOR, CARE, INC.

Mr. LAMBIE. Mr. Chairman and members of the committee. I can say that CARE associates itself with everything that has been said today.

In order to save time, I would like to skip the first couple of pages of our statement.

The CHAIRMAN. Your entire statement will be included in the record as modified by your remarks.

Mr. LAMBIE. The subject has already been alluded to by two of the speakers, as to the multiplying factor of Public Law 480, and I simply would like to emphasize that.

CARE is grateful for this opportunity once again to contribute from our experience our views on Public Law 480, the extension of which is proposed in the bill presently under your consideration. While the quantity of American farm commodities shipped abroad by private agencies scarcely approaches that shipped under title I agreements, we have had a not inconsiderable experience under titles III and II; within the next few months the CCC value of U.S. Government supplied commodities that CARE has programed or contributed to institutional development in developing countries together, with other materials purchased with CARE donor funds, will reach the value of \$1 billion.*

We should like here to recite only enough statistics to give you the order of magnitude of CARE's operations under Public Law 480. The following relate to the last fiscal year:

Regular Public Law 480 feeding programs—July 1, 1966–June 30, 1967

1. Number of countries.....	28
2. Total recipients.....	29, 406, 090
3. Category breakdown of recipients:	
A. Child feeding, 89.5 percent:	
(a) Schools, 74 percent.....	21, 754, 250
(b) Summer camps, 4 percent.....	1, 173, 427
(c) MCW, 11.5 percent.....	3, 400, 050
B. Family feeding, 7 percent.....	2, 045, 434
C. Institutional feeding, 2.7 percent.....	815, 777
D. Self-help and refugee, 0.8 percent.....	217, 152
4. Total pounds shipped.....	754, 008, 781
CCC Value.....	\$70, 400, 000

The above figures are for our regular feeding programs only. When, about 15 months ago, it became apparent that the Bihar area of India would experience an extraordinary famine in the spring, CARE became the chosen instrument through which some 85 percent of all relief commodities from all sources were distributed in the famine area. This special emergency feeding program resulted in the shipment of 380,000,000 pounds of food from the United States, which, together with contributions from other sources, fed some 6,500,000 people in India.

In addition to Public Law 480 commodities, in the same year the American and Canadian people sent abroad, through CARE, \$1,800,000 worth of self-help materials to enable the people of developing countries to grow more food, educate themselves, ply a trade, have

*Figures as of June 30, 1967:

U.S. Government-supplied commodities.....	\$745, 500, 000
CARE-purchased food and textiles and CIK's.....	154, 200, 000
CARE-purchased tools, equipment, and nonfood CIK's.....	34, 500, 000
MEDICO:	
(a) Materials and CIK's.....	9, 600, 000
(b) Specialists.....	1, 300, 000
Total.....	945, 100, 000

a more healthful life, and learn to work together for their own betterment.

Finally, various American and Canadian business firms used CARE as the medium through which they distributed some \$2,500,000 worth of contributions in kind of foodstuffs and medical and other useful materials.

While in our beginnings in postwar Europe in 1946, CARE's operation was strictly a relief and rehabilitation one, when we later turned to applying our acquired techniques and expertise to aiding emerging countries, we have become more and more a development agency. We have learned that food is one of the most useful and essential developmental tools.

We submit that our Government's experience with Public Law 480 has undergone, since 1954, a comparable change in approach and attitude. The dire predictions of disruption of friendly foreign trade and of depressing our own dollar exports turned out to be largely unfounded. And in most quarters the law has come to be seen as a useful instrument of American foreign policy, a compassionate, humanitarian law that has brought untold benefits to needy peoples. It has cost money, to be sure, but it has probably been one of the least costly ways of extending necessary foreign aid.

We cannot contribute anything new to the subject except to reiterate our view that Public Law 480 has been a constructive and well-administered law and that it has potentials yet to be realized. We might, however, invite attention to some facts that refute the notion that this is a give-away program, if give-away be conceived of as a situation in which there is no quid pro quo.

We will not speak of title I sales except to point out to those who feel that only dollars or other hard currency have "value" that the currencies of soft-currency countries have value to them. But in the private sector, we know what we are talking about when we say that it costs the host government money to have a CARE program. In many cases the input of the recipient country exceeds the value of the goods and services supplied by this agency. In other words, the input of American commodities through CARE has a multiplier effect in institution building in the recipient country. CARE is, in effect, a partner with the U.S. Government in the supplying of the commodities and a partner with the host government in their utilization. A few specific examples will make this clear:

TUNISIA

At the start of the Tunisia primary school feeding program (school year 1956-57) the enrollment was 227,000. In the school year 1966-67, it was 777,000. Their (Tunisia) contribution for local food at the start was 185,000 dinars (\$356,000); it rose to 595,000 dinars (1,144,000) during the last year. The administrative costs for the school feeding program in the same 10-year period rose from 47,000 dinars (\$91,000) to 81,000 dinars (\$156,000). The cost of school supplies in the same period, also contributed by the Government of Tunisia went from \$10,000 to \$39,000. In sum, the direct Government of Tunisia contribution during the last 10 years to the education of primary school children rose from \$356,000 to \$1,339,000 a year, or an

almost quadrupled growth. In addition, during the last year, to assist needy children in primary schools, the Government of Tunisia has spent almost \$385,000 on clothes and \$121,000 on school equipment.

The catalyst for that Government of Tunisia investment? Public Law 480. Until about 3 years ago, the school feeding program in Tunisia was government to government. The value of U.S. commodities provided to the program over that period was \$9 million.

TURKEY

In fiscal 1966, the Turkish Government at various levels spent for nutrition education, transportation, warehousing, port costs, purchase of local foods, contribution to feeding operations in hospitals and health centers some \$15,000,000 (in Liras), while the value of commodities supplied through CARE was about \$6,500,000.

LIBERIA

In this country, the fiscal year 1968 Public Law 480 input will amount to approximately \$369,000, bringing forth an expenditure from the Government and people of Liberia for the program of about \$158,000.

PANAMA

Here, the ratio of CCC value of input to Government of Panama contribution is that of \$719,000 to \$860,000.

The ratios vary, of course, from country to country. It has been CARE's effort to involve the host government as deeply as its budget would allow and, furthermore, to program wherever possible a full takeover of our input. As you well know, we have phased out in many countries, and there are several in which there is a definite schedule for our turning over to the host government the full responsibility for the various feeding and other schemes. But developing countries obviously reach this stage of capability at different paces; the future must be planned for and the assumption by them of increased responsibility integrated into their own planning programs and budgets. Many are still economically unable to dispense with total or partial developmental input from Public Law 480. The total nutritional problem in the world is not likely to be met soon. Until it can be—and it must be attacked, as it is being attacked, by the dual approach of increasing food production and reducing the rate of population growth—Public Law 480 has a vital role to play not only in America's tradition of humanitarianism but in our enlightened self-interest.

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

I want to express our appreciation to each of the members of this panel for helping us move this hearing as rapidly as you have. We do appreciate the precise way in which you have presented your views.

I hope that our membership can take a lesson from this.

Do the members wish to ask questions of the panel?

Mr. Kleppe?

Mr. KLEPPE. I have one question, Mr. Chairman, that I would like to ask of each member of the panel, and I get my motivation from your last page, M. Katzki, where you make the statement: "The beneficiaries know from whence their help is coming."

It seems to me that in times past—at least, I have heard that the United States has supplied a great deal of this food and that the Communists have gotten credit for the distribution of it, to the extent that the beneficiaries really did not know where it came from.

Understandably, you have made a flat statement that, in your opinion, “Yes, they do know where it comes from.”

I would like to ask this question of Mr. Lambie of CARE: Do you agree with that statement and do you believe that the beneficiaries do know where this food is coming from when it comes through Public Law 480?

Mr. LAMBIE. Yes, sir. It has been our experience almost uniformly that this is the case.

Mr. KLEPPE. All right.

Mr. Confer, do you agree with that?

Mr. CONFER. Yes, indeed. Primarily, because we take definite steps in the direction of accomplishing that. In the case of our program which has been closed in Yugoslavia, which we closed after 10 years, there we made a condition that not only the distributing groups but that everyone would know, and we were successful.

Mr. KLEPPE. Monsignor Landi?

Monsignor LANDI. I would like to say that during the past year, I have traveled 70,000 miles visiting 60 countries where we have operations, and I would say that, by and large, the people are aware of the source of this food.

Further, in practically every place where food is distributed—let us say in many places—most places there are signs in the local language to this effect, that the food that is being distributed is a gift of the American people to the people of Tunisia or Algeria, as the case may be.

Mr. KLEPPE. And when you say “by and large,” it disturbs me a bit. Are there some examples where they do not know?

Monsignor LANDI. Yes, I would say that there may be some places where the signs may not be displayed. Now, we have auditors going around. Where we are aware of any area where signs are not manifested, we insist that they be put up. In fact, in one country the program was closed, because the local government refused to have signs put up as to the source of the food, that it was from the American people.

Mr. KLEPPE. I take great heart from the answers of all of you, because this has been a disturbing thing to me.

I appreciate your answers.

Monsignor LANDI. I wonder if I may impose for just one second.

You mentioned communism. I was in Italy for many years, particularly when we had a large food program there. The Italian people were so aware of the largesse of the American people that anything they received for nothing they thought it came from the United States whereas some of it came from the Soviets.

Mr. KLEPPE. We need a little of that to balance some of this other that we hear about.

Thank you.

The CHAIRMAN. Are there any other questions?

Mr. Dow?

Mr. Dow. I would like to ask Mr. Confer a question.

In your first paragraph you mention that since 1945 the Lutheran World Relief has shipped commodities valued at more than \$193 million of which 49.8 percent has been donated by the U.S. Government. Now, this is not merely part of the Public Law 480 program if we donate food; am I correct about that?

Mr. CONFER. Within the total amount of \$193 million, may I say that the Lutheran World Relief is the smallest of the four agencies represented here today, and my friends on either side could cite larger figures, but within this total there is a considerable amount of Public Law 480 commodities. And, as you see, about one-half of these commodities came from the Government, and a great bulk of this is Public Law 480 food. There was a little cotton, and so on, too.

We received a little military excess. But the great bulk of that is Public Law 480 food.

Mr. Dow. As to the Public Law 480, did the Lutheran World Relief compensate the Government for any amount of that?

Mr. CONFER. Oh, no. It is an authorized gift which our Government has channeled through the Lutheran World Relief and which we, in turn, take abroad and distribute either ourselves or through counter-part agencies—usually, the latter.

Mr. Dow. So that the 49.8 per cent is Public Law 480 food that was donated by the U.S. Government?

Mr. CONFER. The great bulk of that is, yes.

Mr. Dow. I suppose I ought to know more about the Government than you do, but I do not claim to.

Mr. CONFER. You must know more than we do.

[Laughter.]

Mr. Dow. What I would like to know, Mr. Confer, is who determines the amount that our Government is going to donate of the Public Law 480 program and how much we sell to the recipient country; how is that determination made?

Maybe the chairman knows?

Mr. CONFER. I am sure that he knows. I would like to defer to you, Mr. Chairman, if you would like. But may I say that the point of origin is in the field abroad. These country representatives of the United States are there. Many of them have food-for-peace officers there, and there are duties assumed by the AID personnel. We also have our representatives in those countries, and we, as the Lutheran World Relief, a voluntary agency, do not purchase from the Government but, instead, a relative proportion but large in substance is made available on a donation basis under what is title II of Public Law 480, and these gentlemen abroad get together and share their views. Our representatives share the plan of operation with the AID representative of the food-for-peace office in the other country, and if these people agree on an amount, then our representatives prepare what is known as an annual estimate of requirements, and this is endorsed by the AID or the food-for-peace officers in the other countries, and it comes back here in the United States; and we examine it in our home office, and if we approve it, we then endorse it also and send it to Washington where it is handled by the food-for-peace office of AID. And if they approve the request, it goes on to Agriculture and the Commodity Credit Corporation for filling. A part of the Government procedure is an interagency committee which looks

it over, too. But, as you see, there is a rather detailed screening process all along the line.

Mr. Dow. In other words, there is a fraction of this food provided under Public Law 480 that is really donated?

Mr. CONFER. That is correct.

Mr. Dow. By our Government?

Mr. CONFER. Right.

Mr. Dow. I mean to check the magnitude of that. I am curious to know.

Mr. CONFER. I may say that from the standpoint of the agency and the private resources being channeled abroad, there is a substantial amount of the total amount of commodities made available and made possible by Public Law 480; but as a proportion it is a small proportion.

Mr. Dow. Thank you, sir.

The CHAIRMAN. Are there other questions of this panel?

If there are no other questions, we are very much obliged to all of you gentlemen. We appreciate your appearance here today.

Mr. CONFER. We are grateful to you for this opportunity to be with you.

The CHAIRMAN. Our next witness will be Mr. Michael J. Norton, director of the special services division of the National Milk Producers Federation.

We will be glad to hear from you now.

STATEMENT OF MICHAEL J. NORTON, DIRECTOR, SPECIAL SERVICES DIVISION, NATIONAL MILK PRODUCERS FEDERATION; ACCOMPANIED BY M. R. GARSTANG, GENERAL COUNSEL

Mr. NORTON. Mr. Chairman and members of the committee, I have with me Mr. M. R. Garstang, general counsel of the federation. I would like to omit certain portions of our prepared statement in the interest of time, if it pleases you, Mr. Chairman.

The CHAIRMAN. Your entire statement will be included in the record as modified by your verbal statement.

I should like to make a suggestion. I have not yet heard your statement and this statement is without any particular reference to you whatsoever, it applying to all of the witnesses who are here to appear before us; but this committee is primarily interested in knowing what we should do and why we should do it in the way of making changes in Public Law 480; or if you feel that it should not be extended at all, why you feel that it should not be extended. I think the committee is well aware of the philanthropic aspects of Public Law 480 and the benefits that accrue to the world through Public Law 480. We are charged with the responsibility of either extending it, or letting it die, or modifying it in some manner. We are particularly interested in any possible modification.

Please understand, I do not know what you plan to say, and it is not particularly addressed to your statement at all; but we hope all the witnesses will give us some enlightenment on those points.

Mr. NORTON. I hope that we do have some suggestions in our statement that will merit the consideration of the committee in its consideration of the amendments to the general bill to extend Public Law 480.

I am sure that you are all well aware of the general benefits that Public Law 480 has bestowed upon the world and our domestic agriculture economy.

The National Milk Producers Federation, which represents dairy farmers and the cooperative associations which they own and operate, appreciates this opportunity to express its views on Public Law 480—the food-for-peace program—and to support H.R. 15693, which calls for a 3-year extension of the program.

From an overall standpoint, one cannot question the general effectiveness of Public Law 480. This program, through the distribution of agricultural commodities, has made an outstanding contribution in many areas. It has served to alleviate hunger throughout the world. It has served to promote U.S. foreign policy goals. It has bolstered our sagging farm economy by removing price-depressing surplus agricultural commodities from domestic markets. It has been of general aid to the perplexing balance of payments problem. For these general reasons, there is no doubt that the program should be extended.

We feel that Public Law 480 and foreign distribution programs are vitally essential to the proper use of the productive ability of American farmers. We felt that the 1966 amendments to Public Law 480 recognized this fact and would take proper advantage of this productive ability. We felt that, when the "surplus" concept was eliminated from Public Law 480 in 1966, that agricultural commodities would be utilized on the basis of nutritional needs rather than surplus disposal only, and that, as a result, farmers could look forward to an era of new hope and prospect for prosperity.

This hope may have been realized insofar as some agricultural commodities are concerned; but in the case of milk and dairy products, the months subsequent to the 1966 amendments marked startling declines in the utilization of dairy products. Consequently, it became apparent that the surplus concept had not been eliminated in Public Law 480. For example, in 1966, utilization of dairy products in Public Law 480 amounted to only 0.76 percent of the total milk production; and in 1967 the utilization will be even lower. The much heralded worldwide war on hunger was waged without an important weapon. Milk and dairy products—the best source of the high quality animal protein essential to the diets of undernourished persons and the most convenient food for meeting the nutritional requirements of all individuals—are unquestionably a potent weapon in the food-for-peace arsenal. Nonetheless, this startling statistic exists and only relatively small amounts of dairy products have been utilized.

At another point in the history of the food-for-peace program, near elimination of milk and dairy products from the program may not have had such a significant effect on our domestic dairy economy. However, at the same time that utilization of milk and dairy products was at one of the lowest levels since the inception of the food-for-peace program, imports of dairy products into the United States were at record high levels. In 1966, for example, 2,775 million pounds of milk equivalent in the form of dairy products were imported into the United States. Most of these imports were in evasion of quotas established under section 22 of the Agricultural Adjustment Act of 1933. This represented an increase in imports of 229 percent over imports during the period of 1961–65. While imports in 1966 were at these

all-time high levels, exports of milk and dairy products under the food-for-peace program amounted to only about 320 million pounds of milk equivalent, resulting in an excess of 2,455 million pounds of milk equivalent of imports over Public Law 480 exports. It is noteworthy that in 1967 imports amounted to 2,855 million pounds of milk equivalent, a "record" of which American dairy farmers are not too proud. Preliminary 1967 figures indicate that small amounts of nonfat dry milk and negligible levels of other dairy products were exported under Public Law 480. There can be little doubt that had distribution of milk and dairy products under the food-for-peace program continued at pre-1966 levels, the vast quantity of dairy products which was imported into the United States during 1966 in evasion of existing quotas would not have had such a drastic effect on the dairy farm sector of our agricultural economy.

In fact, the more I think about this particular problem, Mr. Chairman, it seems to me that it would be much more appropriate to channel some of the dairy products that would ordinarily be imported into the United States and which are not needed on our domestic market and which only serve to depress domestic dairy prices, that it would be much more appropriate to channel these products into Public Law 480 programs. It would be a saving to the Government and to the taxpayer all the way around.

These small amounts of Public Law 480 exports exist despite the fact that income from dairy farming, including the sale of calves and cull dairy cattle, represents the second highest source of cash farm income to American farmers, bringing the average American farmer approximately 17 cents of the cash-receipts dollar.

It would seem, therefore, that the food-for-peace program, as amended in 1966, has apparently not, insofar as milk and dairy products are concerned, been implemented as effectively as the Congress had intended.

It is our opinion that the time has come for a realistic reappraisal of the food-for-peace program from the standpoint of enlightened self-interest. One cannot question the humanitarian motives behind the objective of alleviation of starvation and hunger throughout the world. However, it seems to us that the prospect of American agriculture providing the tools for waging this worldwide war on hunger may become moot, if our farm economy continues to tread on the threshold of bankruptcy. American farmers cannot be expected to supply food and fiber to American consumers, much less the rest of the world, unless the American farmer is allowed to derive a fair return on his investment and labor.

American dairy farmers need help and if some of the changes which were made in the food-for-peace program by the Congress in 1966 would be properly implemented so that the surplus-disposal concept is truly abandoned, the food-for-peace program can be of significant help in strengthening the dairy farmer's economic position. However, to be of any significant or meaningful benefit to dairy farmers, the food-for-peace program must be administered on a stable and dependable basis. False hopes should not be raised in the minds of American dairy farmers. If their product is to be used in the food-for-peace program, it should not be done so on a haphazard and sporadic basis. Dairy farmers must plan their production on a long-term basis and,

by the same token, they are entitled to be informed of the use that will be made of their product on a long-term basis.

The Congress should, therefore, establish specific guidelines to enable the Secretary of Agriculture to determine which commodities should be used in the food-for-peace program as well as the approximate quantity of the commodity to be used. The Secretary should be directed to establish definite quantitative requirements for over a long-term period, and, with the passage of each year, reevaluate program needs and extend, alter, or eliminate these requirements, but at least plan on a long-term basis. Furthermore, when these requirements are established, the Secretary should proceed to fulfill them from Commodity Credit Corporation-held stocks or, if necessary, from open-market purchases.

The federation urges the Congress to direct the Secretary of Agriculture to make uncommitted stocks of dairy products held by the Commodity Credit Corporation available at world market prices for use in the food-for-peace program. The Department of Agriculture, on January 9, 1968, announced that exporters would be entitled to purchase Commodity Credit Corporation-owned nonfat dry milk at 11 cents per pound, f.a.s. vessel, for use in title I sales under Public Law 480. This announcement is somewhat unrealistic since ocean freight rates are at such a level that nonfat dry milk cannot be made available in most potential Public Law 480 recipient countries for less than 13 to 14 cents per pound. Inasmuch as this price is 3 to 4 cents higher than the price at which other dairy-producing countries can make a nonfat dry milk available, it seems obvious that potential recipient countries will not purchase substantial quantities of American-produced nonfat dry milk, even under the liberal credit terms of title I. In fact, as of today, there have been no bids submitted to the U.S. Department of Agriculture under this announcement.

World market prices of milk and dairy products are significantly lower than American prices. This is because of the high cost of living to which the United States is committed—higher than much of the rest of the world—and also due to the fact that several foreign nations subsidize their own dairy industry, thus making their dairy products available for export at whatever level it takes to move them. Under these circumstances, American dairy products cannot compete in world trade unless the Department of Agriculture makes Commodity Credit Corporation-held dairy products available at these lower world market prices. Such an action will eliminate price-depressing surpluses as well as the storage costs which must be borne by the American taxpayer and allow dairy products to participate on an equitable basis in Public Law 480.

In order to be of significant benefit to American dairy farmers, dairy products must be utilized in all phases of Public Law 480. Dairy products are easily the best suited commodity to foreign relief feeding and other similar develop programs. Dairy products should be the most important ingredient in foreign school lunch and other child feeding programs. The Secretary of Agriculture should, therefore, be encouraged to make proper use of milk and dairy products in the entire Public Law 480 program.

Furthermore, despite the disparity between domestic dairy prices and world market prices, it is possible for some commercial foreign

markets for milk and dairy products eventually to be developed. However, in order to develop such commercial foreign markets, the Department of Agriculture must utilize dairy products under title I of Public Law 480 on a regular basis. It is of little long-term benefit to the domestic dairy industry to sporadically utilize dairy products under title I or other provisions of Public Law 480.

In order to maintain the foothold which can be gained through title I sales, however, it is essential that the Department of Agriculture reinstitute a program of payment in kind or cash subsidy so that American exporters may continue to supply at world market prices, domestic dairy products in whatever form is desired by recipient countries. Such a program would enable American dairy farmers to obtain an equitable share of world trade. The many objectives of the food-for-peace program can be furthered through increased use of milk and dairy products.

In the first place, the goal of improved nutrition for undernourished persons of the world can be pursued with the most nutritious product available.

Secondly, the substantial quantities of price-depressing surplus stocks of milk and dairy products presently held by the Commodity Credit Corporation can be eliminated. The Nation's foreign policy interests can be furthered and the balance-of-payments problem aided.

Finally, the domestic dairy industry can be strengthened. Many of the Nation's dairy farmers are at the crossroads of economic decision. They have been faced for many years with economic injustice and inequality. They are going out of business in wholesale lots. They are selling their farms and herds. The American farmer who supplied his own needs and the needs of his family is a milestone of historical interest only. Today's dairy farmer, like all other individuals, must purchase goods and services in the marketplace at retail prices to fulfill his everyday needs. He must buy clothing, groceries, and automobiles like everyone else, and, in addition, must also keep abreast of constantly improving farm technology with the result that costs of production continue to rise, while the return for his efforts seems to continually decline. The farmer cannot be expected to exist under such unstable, insecure conditions. The Federal Government must recognize the plight which faces the American farmer and take affirmative steps to aid him. Coupled with the Agricultural Act of 1949, which supports the price of milk and butterfat between the levels of 75 to 90 percent of parity, the Agricultural Marketing Agreement Act of 1937, which provides the mechanism under which the Federal milk marketing order program operates, and properly geared domestic programs, Public Law 480 can provide a solution to this problem and can assure dairy farmers a fair return on their investment and labor.

I thank you.

The CHAIRMAN. Thank you very much. It seems to me that there is a suggestion or two which may very well be justified and should be considered, and the question is whether it should be made a part of Public Law 480. Certainly, what you have suggested, that there must be a substantial subsidy of the American dairy industry, is correct. And, if I understand your testimony, you feel that Public Law 480

in itself is no solution from the standpoint of maintaining a price in the United States; is that not your viewpoint?

Mr. NORTON. Not unless it were utilized or implemented on the basis of a nonsurplus concept and that specific amounts of products were channeled into food for peace programs. We feel that the Secretary should establish levels of dairy products that he wants to use in the Public Law 480 program and to set the price at such a level that the dairy farmers would produce enough products to supply those needs.

The CHAIRMAN. And when you say "set the price"—you cannot set the price, or rather you cannot set a fair level of return to the farmer without a matching subsidy, can you?

Mr. NORTON. The product cannot be moved into these foreign markets without such a subsidy; yes, sir. But if the U.S. Department of Agriculture purchases dairy products on the open market, that, in effect, will set the price.

The CHAIRMAN. That is what I am saying, that there must be a matching subsidy to the American dairy industry. I am not finding fault with that. I think that you may be right on that, but I do not think the other part is one that we can tie in for consideration of Public Law 480. It is a problem that we must face when we take up the general agriculture bill which I hope to take up in the next few weeks. That will be a part of it, not only for the dairy farmers but for all of the other products. We do need subsidies in our foreign programs. I recognize that, but, certainly, we cannot do it in the form that you are suggesting. You are suggesting that we sell these products on the world market, and I believe that your suggestion is not to cut the world prices. Anytime that we cut the world prices, are we not actually jeopardizing our own price structure for the farmer? I think our own price structure will then go down and we will have a general downward trend if we lower the world prices, and that is the thing or one of the things that we have been very careful about in Public Law 480, so that in the so-called concessional sales, when so sold, they are never sold below the world price of the commodity so as to destroy the price for a great many other commodities, because to do so would be of no benefit. I think that it would be very unwise to enter into a price war and try to undersell other people. I agree with that. We have to meet the prices. We have to be competitive. And anywhere in the world, we have to be competitive and meet those prices in the markets. But you would not suggest that we sell the commodities at less than the world prices; would you?

Mr. NORTON. No, Mr. Chairman.

First, let me say that I am not referring to or talking at all about a domestic subsidy on production. I am referring only to a subsidy on exports, or in the alternative making Commodity Credit Corporation stocks available at world market price. I am not suggesting that these stocks should be made available at lower than the world market prices, so as to have an undesirable effect on world prices and to engage in the kind of a price war that you have referred to. It makes common-sense to me, however, that we cannot expect to sell any dairy products on the world market or through Public Law 480 so long as our product is priced above the level at which other countries can and do sell dairy products.

The CHAIRMAN. I think that is true. I think that is the reason that we have not moved any substantial amount of dairy products under Public Law 480 as it now stands. There is no way that the Department can make India or Iran or Ecuador order dairy products—to buy them under Public Law 480, if those countries find that the delivered price of those products would be substantially higher than what it would cost to get them from Australia or from Holland or some other supplier.

Mr. NORTON. That is true.

The CHAIRMAN. Obviously, they are not going to do it, and I do not think that the Department is selling dairy products for that reason. I think, as you point out, that the reason we do not sell them is primarily because of the maritime freight rates.

Mr. NORTON. What you say is precisely true, Mr. Chairman, but the Department apparently does have the authority and ability to release Commodity Credit Corporation stocks of dairy products at less than the price for which they were purchased, and this was the reasoning and the intent behind the announcement to which I referred, whereby the U.S. Department of Agriculture made nonfat dry milk powder available at 11 cents per pound for title I sales.

The CHAIRMAN. Getting back to this proposition, the same question that was raised in the beginning, I am not finding any fault with that. Your suggestion is that there must be a much larger subsidy to make it profitable to the dairy industry, and I am inclined to think you are right. I was in the dairy business myself for several years. I did not get the subsidy; that is the reason that I got out of that business now. I am inclined to agree with you in all of this, but I think that we might as well face up to it, that there is no foreign sales program of dairy products that can be moved without a substantial subsidy to the producer. Is that not right?

Mr. NORTON. That is quite right.

The CHAIRMAN. It does not make any difference whether you call it a subsidy or whether you call it a purchase by the Commodity Credit Corporation, because whenever the Commodity Credit Corporation buys at a high price and sells at a lower price, that is a subsidy; is it not?

Mr. NORTON. Yes, sir.

The CHAIRMAN. And I think too many of us try to cover these things up and say that we are not getting any help from the Government, when, as a matter of fact, the taxpayer pays part of the bill. I am not trying to find any fault with that; I just say that Public Law 480 does not have anything to do with it.

Mr. NORTON. I do not mean to indicate that Public Law 480 is *the* solution to the problem. However, I do feel that it can be a help in the solution.

The CHAIRMAN. Not without granting more subsidy; can it?

Mr. NORTON. Not without some form of subsidy. That is what I tried to point out.

The CHAIRMAN. Fine. Thank you, sir.

Are there any further questions?

Mr. Mayne?

Mr. MAYNE. You stated in general terms that there had been a very substantial decline in the amount of dairy products used under Public

Law 480 since 1956. Could you furnish us more specific figures as to what the amounts of dairy products used in Public Law 480 have been since the inception of the program so that we would have a better idea on this?

Mr. NORTON. I could furnish the total statistics for the record, Mr. Mayne. However, I do have some statistics here dating from 1960, if you would like them now.

Mr. MAYNE. All I want to know is the amount of dairy products used under Public Law 480.

(The information referred to above follows:)

COMPARISON OF IMPORTS AND PUBLIC LAW 480 EXPORTS AND TOTAL EXPORTS OF DAIRY PRODUCTS ON THE BASIS OF MILK EQUIVALENT OF BUTTERFAT—ESTIMATED, 1955-67

[In millions of pounds]

Year	Imports	Public Law 480	All
1955-----	458	4,039	5,276
1956-----	514	6,124	7,574
1957-----	661	2,316	3,260
1958-----	507	2,352	3,110
1959-----	578	639	1,255
1960-----	604	415	1,277
1961-----	760	7	716
1962-----	795	59	590
1963-----	915	1,647	2,162
1964-----	830	5,247	8,042
1965-----	918	1,140	4,229
1966-----	2,775	320	909
1967-----	2,855	(¹)	(²)

¹Negligible.

²Not available.

Source: Milk equivalent calculated from figures reported in "12 Years of Achievement Under Public Law 480, ERS USDA"; "Dairy Situation, November 1968," ERS, USDA.

NONFAT DRY MILK: IMPORTS, EXPORTS UNDER PUBLIC LAW 480 AND TOTAL, 1955-67

[In millions of pounds]

Year	Imports	Exports	
		Public Law 480	Total
1955-----	2	284	370
1956-----	1	451	471
1957-----	2	494	631
1958-----	2	635	703
1959-----	2	653	707
1960-----	1	387	464
1961-----	2	535	634
1962-----	1	613	812
1963-----	2	741	1,005
1964-----	2	682	1,315
1965-----	1	465	946
1966-----	3	482	738
1967-----	1	¹ 393	-----

¹ Estimated.

Source: "Dairy Situation, November 1968," ERS, USDA; "12 Years of Achievement Under Public Law 480," ERS, foreign 202, ERS, USDA.

Mr. NORTON. All right, sir.

Mr. MAYNE. Starting with 1960.

Mr. NORTON. In 1960, there were 415 million pounds of milk equivalent in the form of dairy products used in Public Law 480. These figures tend those that follow are based on the recent survey that was

released by the United States Department of Agriculture. The products used under Public Law 480 are in the form of evaporated and condensed milk, whole dried milk, butter, cheese, nonfat dry milk products, et cetera.

In 1961, there were approximately 7 million pounds of milk equivalent utilized in Public Law 480 provisions.

In 1962, there were a little over 59 million pounds utilized in Public Law 480.

In 1963, there were 1,647 million pounds utilized in Public Law 480.

In 1964, the figure is 5,247 million pounds.

In 1965, it starts to decline, and the figure is 1,140 million pounds.

In 1966, the figure is 320 million, and in 1967—although I do not have the official figures, I am told that the products utilized in Public Law 480 are less than a million pounds.

Mr. MAYNE. What in your opinion is the reason for this dramatic decline?

Mr. NORTON. Well, in 1966, due to several factors, domestic dairy production began to decline, and in mid-1966 stocks of dairy products held by the Commodity Credit Corporation were either zero or next to nothing, and for this reason no products were used in Public Law 480. This led us to the obvious conclusion that Public Law 480 was not, as we thought it was after it had been amended in 1966, a non-surplus disposal type program but still was based on the concept of surplus.

Mr. MAYNE. Would it be a fair statement that this worked satisfactorily for the dairy producer and had a beneficial effect for him so long as there were surpluses, but that its value greatly diminished when the surpluses ended?

Mr. NORTON. Yes; this is true so long as the surplus is used quickly and not allowed to depress domestic prices. The volume did diminish when surpluses ended, and, as I pointed out, there were overwhelming imports of dairy products coming in, which would not have had such an effect on domestic dairy prices if they had been offset by Public Law 480 exports. However, despite the fact that there are presently significant amounts of dairy products held by the Commodity Credit Corporation, they are not being utilized in Public Law 480 at this time.

Mr. MAYNE. How much are they as of the present time?

Mr. NORTON. As of February 23, uncommitted dairy products, stocks of dairy products, held by the Commodity Credit Corporation, amounted, in the case of cheese, to over 69 million pounds; in the case of butter, over 132 million pounds; in the case of nonfat dry milk, 195 million pounds. Those are rounded figures.

Mr. MAYNE. What was that last figure?

Mr. NORTON. 195,774,000 pounds.

Mr. MAYNE. Thank you. That is all, Mr. Chairman.

Mr. CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Norton, it would appear that since about 1965 there has been much less utilization of dairy products in this program when, at the same time, imports have increased tremendously; is that correct?

Mr. NORTON. That is correct, Mr. Zwach, particularly beginning in 1966.

Mr. ZWACH. I want to commend you for the proper assessment of rural America, of the agriculture segment. My district is such that there are hundreds and hundreds of farmers that have been forced out of the dairy business in the last 3 or 4 years. It is interesting to get this.

I am also interested in how you think it might be used a little more as a machine to help in our overall total farm picture.

That is all.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Zwach.

Are there any other questions?

If not, we are very much obliged to you, Mr. Norton, and we appreciate your being here.

Mr. NORTON. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Mr. Bert Tollefson, executive director of the Corn Millers Institute, American Corn Millers Federation.

We are glad to have you here, Mr. Tollefson.

**STATEMENT OF BERT TOLLEFSON, JR., EXECUTIVE DIRECTOR,
AMERICAN CORN MILLERS FEDERATION AND EXPORT INSTI-
TUTE; ACCOMPANIED BY JUAN DEL CASTILLO, FIELD DIRECTOR**

Mr. TOLLEFSON. Thank you, Mr. Chairman and members of the House Agriculture Committee.

We appreciate this opportunity to present the views of the American Corn Millers Federation and Export Institute with respect to Public Law 480, better known as the Food-for-Peace Act of 1966.

I am Bert Tollefson, Jr., executive director of the American Corn Millers Federation and Export Institute. With me at the table is Juan del Castillo, our field director who has recently visited many of the countries where Public Law 480 is in operation.

We welcome this opportunity to testify in favor of extending, for 3 years, the Agricultural Trade Development and Assistance Act of 1954 as amended. We support the Purcell bill, H.R. 15693. The achievements of food-for-peace and now the war on hunger have established these essential and beneficial programs as one of the most successful undertakings in our Nation's history.

The wise use of American farm products has fulfilled humanitarian needs but has also assisted our Nation to meet economic, social, and political commitments throughout the world. This committee deserves great credit for these accomplishments. I hear this often throughout the country, and I know that Mr. Castillo has heard similar statements as he travels throughout the world. Having participated in the establishment of the first food-for-peace program while in the U.S. Department of Agriculture, I am grateful for the opportunity to continue working with you.

Our corn milling industry, composed of 75 member companies in 25 States, appreciates the working relationships we have had with the Congress, governmental departments, voluntary agencies, and other interested parties. Officials in the Departments of Agriculture, State, and Agency for International Developments, have done a very effective job of administering the beneficial legislation passed by

Congress. This morning, you heard representatives of the voluntary agencies who also have an outstanding record of administering programs and distributing commodities.

It is interesting to recall this morning that we were here before your committee, about a year ago, when we talked about the food for India message which this committee responded to in establishing the special program for India. It was most interesting yesterday in the morning and again in the afternoon, to hear reports on the success of this program. And I feel, Mr. Chairman and members of the committee, that when the full story of the India feeding program during the past year, in times of great emergency, is fully known by the American people and the world, this will prove to be one of the greatest humanitarian efforts of all times, and certainly it is going to be so established in the minds of people.

Since the initiation of Public Law 480 in 1954, about 4 billion pounds of cornmeal have been distributed throughout the world by the U.S. Government and private agencies, creating over 10 million years of life food energy. This 4 billion pounds of golden cornmeal has proven, through the years, to be a nutritious and efficient source of calories and energy in more than 100 countries where corn foods are basic in their usual diets.

Golden cornmeal has so many uses in native dishes throughout the world, we expect its use to increase. But research projects of our federation and other research activities of our member companies are developing other new milled corn products which will make additional contributions toward combating world hunger.

Beginning in September of 1966 and continuing through the present time, the U.S. Government has purchased over 420 million pounds of a new high-protein, low-cost, blended food called CSM which is being distributed by governments and volunteer agencies in over 100 countries. This new food has been developed through cooperation of the corn milling industry and Government nutrition experts from Agriculture, AID, and the National Institutes of Health.

I notice that the Director of the food-for-peace program, Frank Ellis, is in the chamber this morning. He was one of the key people having the courage to move in the executive branch of the Government, as this committee and the Congress expressed an interest in proceeding on the concept of low-cost, high-protein blended foods such as CSM. And the success story, gentlemen, is truly remarkable.

CSM is a formulation of 68 percent processed cornmeal, 25 percent soy flour, 5 percent dry milk, and 2 percent vitamin-mineral premix. The result is a 20-percent protein food with an adjusted protein efficiency ratio of 2.49 and a nutritionally proved amino acid balance. It is virtually bran free, has a bland flavor and smooth texture for feeding as a gruel, beverage, or as dough in such foods as tortillas, empanadas, chapati, enchilladas, and so forth.

And we do not eat many enchilladas in the Midwest, Congressman Zwach, but in a lot of the world they do.

Nongovernmental programs for acquisition of milled corn products are exemplified by UNICEF's cash dollar purchase of 7.6 million pounds of CSM for about \$700,000. This CSM will provide 480,000 beneficiaries with a supplementary ration of 80 grams a day for 3 months. The current issue of UNICEF News contains an unforget-

able picture of a child in India eating CSM. This picture grips you like very few pictures can, carrying a message that is certainly impressive. Another issue of UNICEF News referred to CSM use as "the first attempt in history to introduce a new food product simultaneously to millions of people on a worldwide basis."

While CSM is being used primarily as a new food for infant and child feeding it has appeal for adults also. Several members of this committee tasted CSM at our recent milled corn products luncheon here in the Capitol. Most of you who attended that luncheon sampled each of the foods including the famous House restaurant cornbread, cheese flavored hominy grits, corn-fed beef and a corn-flake cake dessert; but one Congressman liked the CSM soup well enough that he limited his lunch to three cups of the CSM which tastes something like split pea soup.

Additional evaluation tests of feeding programs utilizing corn meal and CSM are presently underway in many countries and the results are very favorable. There will be an announcement soon indicating how very successful these programs have been using CSM as infant and child food and as a weaning food in many instances.

I might say specifically, because it is getting to be common knowledge, that Dr. Graham in Peru has proceeded with the detailed tests, measuring the growth of the infants, measuring the input of the CSM compared to other foods that are used as weaning foods, doing everything in a very scientific way to determine what the net gain is and also the benefit of the food. These announcements will be forthcoming very soon. I think it will, again, make a very impressive story.

Our industry is continuing to experiment with various means of fortifying milled corn products to further increase their nutritional values. For example, as synthetic lysine and tryptophane become available in larger quantities at lower prices, fortification of cereal grains will find additional uses in many countries.

Our industry again is attempting to respond to changing needs by utilizing research technicians in some of our member companies such as General Foods, Quaker Oats, Lauhoff, and other companies throughout the country. We are emphasizing the importance of this research and developing new needed foods, not only for overseas but conceivably for use in the school lunch program and feeding programs in this country as needs may be identified.

Tomorrow, the Secretary of Agriculture and other Government officials are scheduled to spell out more details of the proposed extension of Public Law 480. As these statements and other testimony are reviewed by your committee, we intend to keep in contact with you offering suggestions and responding to any questions you may direct to us. Our Asian field director, Loyal Leitgen, has been in India and Southeast Asia for 4 months—he is still there and will continue for another period of at least 6 to 8 months—and he is also preparing information we will submit to you.

At this time, we do wish to emphasize the importance of planning Public Law 480 programs and commitments far enough in advance to enable farmers to make needed production and marketing plans. In the same context, when industry is required to process American farm products, it is vital that Public Law 480 programs give adequate

indications of volume requirements to allow for sufficient industrial capital investment and production scheduling.

We also agree with the emphasis that administrators of the program are placing on use of food for self-help projects that are increasing the ability of underdeveloped nations to feed their own populations. The startling fact is that world population continues to spiral and will undoubtedly rise above 6 billion before the end of this century. It is essential that Public Law 480 implementation continue to be directed at both world food needs and population problems.

Several members of your committee, government officials, and other witnesses have also stressed the importance of expanding commercial markets for American farm products and we also agree with this objective. Our industry is committed to work in this area, and I could cite many examples where our companies are investing overseas. They have invested through the years, particularly in South America; not as much yet in Asia. The fact is that the fertilizer companies and other suppliers are moving into India and Southeast Asia. There are a large number of factors which have had to be evaluated before we invest American capital in some of those countries, but we are studying it carefully. In that regard, the president of our federation Rex Edison who is a corn miller from North Carolina—many of you have met him—has volunteered to go to India for a period of 3 to 4 weeks and to work with them in establishing the first corn milling industry of any extent in India. They have a very primitive milling capacity at this time. We are going to attempt to establish some of the milling concepts that helped build our country in the South where the farmer came in with 10 bags of corn to have it ground and the miller kept one bag for service charges for the grinding. This is a step that will be a contribution in helping these people to feed themselves.

Our Asian field director Mr. Leitgen, is a corn farmer from Iowa, a graduate of Ames, and he, personally, believes that corn is the food—taking nothing away from any other commodity—that increasingly can be used to feed the world, because of the dependable yield and the quality that can be developed. This relates to the new seeds that you discussed yesterday. Mr. Chairman, that have come out of India and Mexico, both in the case of corn and wheat.

One of the major benefits of Public Law 480 has been the development of commercial markets. Many nations, which only a few years ago were recipients of food for peace and other aid programs, are today leading customers for American farm products, including: Japan, Taiwan, Korea, Israel, Spain, and several South American countries.

CSM has proven to be a very successful food. It has only been in existence for a year and a half. It is now selling at 7½ to 8 cents a pound, in 50-pound lots. It is a very low-cost, high-protein food. We feel the opportunity is tremendous in using American farm production in feeding needy people and developing markets for American business, and when you evaluate all factors, it is beneficial to everybody concerned.

We will not repeat the statistics as to world food needs with which your committee is very familiar. We would only join with you in agreeing to the urgency of this project and suggest that no program of our Nation is more vital than the wise use of food from our agricul-

tural heartland in meeting human needs and increasing political, social, and economic stability in a troubled world.

Many of my relatives are farming in the midwest, and they feel a very close identification with this program. They believe that growing food, producing corn and other grains, is more than just raising a crop as a commodity—it is an identification with the worldwide humanitarian effort that has worked so well.

The corn milling industry, in cooperation with American corn farmers, will continue to work with all interested parties in any feasible way on the vital problems of alleviating world food needs. We are increasing our efforts in various projects aimed at improving world nutrition and expanding commerce as essential elements of world peace.

Thank you.

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

You have made a very interesting statement.

We have two more witnesses to appear before us this morning.

Mrs. May?

Mrs. MAY. I would like to thank Mr. Tollefson for his statement on what private industry has done already and further suggestions on helping us in reaching the true and important goals of Public Law 480. We also appreciate the emphasis that your industry has given the development of cash markets for our agricultural products. I do commend all of your members, Mr. Tollefson.

Mr. TOLLEFSON. Thank you very much.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. I certainly want to join Mrs. May in expressing my views in a complimentary way on your statement and the work that your organization has done. Would it be possible for you to get any figures to submit for the record as to the amounts of money used by your member companies or your Association in regard to the development of CSM or any other product that you have not dwelt on today that you are working on?

I feel it might be of beneficial help to the Committee if you would let us see the effort that private industry has made, in the research and development of these new products. Could you do that, please sir?

Mr. TOLLEFSON. Yes, sir, we would be very glad to do that. We do not have a total tabulation, but there have been estimates on CSM alone as an investment by several companies in the neighborhood of one and a half million dollars before any of the food was sold or used. This took courage on the part of industry, as well as on the part of the Government and the Congress to move on this. We do feel that over a period of time, the industry will receive a fair return on this. The food is very low cost. We want to keep the margin low, but the success, I think, has been such that over a period it will prove to be financially successful also.

Mr. PURCELL. Thank you.

That is all, Mr. Chairman.

(The information requested of Mr. Tollefson by Mr. Purcell follows:)

Corn milling companies and the Federation expended in excess of \$1.5 million for research, equipment, and technology prior to any sale of CSM. In addition, individual company members of the Federation have made substantial expenditures on development and marketing of high-protein foods such as the Quaker

Oats projects in South America with Incaparina, which after several years of financial losses have now proved successful and are operating in the black.

Mr. O'NEAL. Thank you, Mr. Chairman. I was especially interested, The CHAIRMAN. Mr. O'Neal.

Mr. Tollefson, in CSM. I did not have the opportunity of tasting it over at the House Restaurant. I noticed that it is made of corn, soy and milk from which it gets its name. Have you ever tried adding a little homogenized peanut butter?

Mr. TOLLEFSON. For some reason I expected that question would be coming.

(Laughter.)

Mr. O'NEAL. One of the things that bothers me is that they do not make much use of peanuts in Public Law 480, and it is very high in protein. I wonder if you would continue your experiments and see if you could not add a few protein nutrients in that way.

Mrs. MAY. Would you yield?

Mr. O'NEAL. Yes.

Mrs. MAY. I might suggest that perhaps tortillas and enchilladas could have peanut butter on them.

(Laughter.)

Mr. TOLLEFSON. That is very possible. I am going to turn this over to Mr. Castillo who, in addition to being a world traveler for this industry, is somewhat of a nutritionist also. I know they have done some things in India.

The CHAIRMAN. Are we going to have another statement?

Mr. TOLLEFSON. No, sir.

The CHAIRMAN. I want to know, because we only have 25 minutes left here with two more witnesses.

Mr. CASTILLO. This is with reference to the use of peanuts in CSM types of formulations. We have experimented using peanut meal with excellent results, and it is used in India for that purpose. One such operation in India uses peanut meal as its protein source. That is all I wanted to say. It is a local outfit.

The CHAIRMAN. Are there any further questions?

Mr. Miller?

Mr. MILLER. I am interested in your statement that since September, 1966 the Government has purchased over 400,000,000 pounds of CSM. In thinking of the total agriculture picture, what would you say that CSM would replace in the way of wheat products? Is there a possibility of it replacing some other product? What is your thinking on that?

Mr. TOLLEFSON. It is a big world with great need, and we feel that CSM came along at a time when, as has been indicated earlier, there was a milk shortage, of nonfat dry milk for various reasons—and I will not get into the reason for that—but CSM has been used in many areas as a milk extender, you might say a milk replacement. In several countries the result has been that they have liked it even better than anything they have had before, and I think that as the world population grows there is going to be a demand for all of these products. The only limiting factor is the imagination of industry and the efforts of American farmers to produce an adequate amount and the right kind of food and blends for the needs. Would you like to amplify that, Juan?

Mr. CASTILLO. There is a reason why CSM fills a particular need. There was a need for this product, because taking the worldwide situation as far as the availability of proteins is concerned, there is simply not enough animal proteins to feed all of the people who need proteins. And CSM fills a gap, an enormous gap, because it makes available in palatable form vegetable protein which these people need. Most of the people who are receiving CSM would never have the opportunity of eating animal proteins simply because of the cost and the availability factors. It really does not replace anything. It makes proteins available in palatable form to people who, otherwise, would never have gotten the protein. This has been an important part, incidently, of the Food for Peace program's support for blended foods, in that it is a problem that they are supposed to solve, too.

Mr. MILLER. Thank you. That is all.

The CHAIRMAN. If there are no further questions—Mr. Gathings?

Mr. GATHINGS. I would like to ask a question: What is CSM derived from? How do you get it?

Mr. CASTILLO. It is corn, soy and milk.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. If there are no further questions; we are very much obliged to you, Mr. Tollefson and Mr. Castillo.

Mr. TOLLEFSON. Thank you.

The CHAIRMAN. We will now call on Mr. Lloyd Fairbanks, administrative assistant to President Staley, of the National Farmers Organization.

We will be glad to hear from you now.

STATEMENT OF LLOYD J. FAIRBANKS, ADMINISTRATIVE ASSISTANT TO PRESIDENT STALEY, OF THE NATIONAL FARMERS ORGANIZATION, CORNING, IOWA

Mr. FAIRBANKS. Mr. Chairman, members of the committee, I am Lloyd J. Fairbanks, administrative assistant to President Staley, of the National Farmers Organization, Corning, Iowa. The National Farmers Organization supports the proposed extension of the food-for-peace program (Public Law 480).

We feel that the use of the American agricultural abundance as food for peace is in the best interest of all of the citizens of our Nation, the underdeveloped countries, and all other countries in the world. Our Nation's food-for-peace program has done much to alleviate the undernourishment, hunger, and starvation in the world. There are one-third to one-half of the people around the globe going to bed hungry every night and many millions more would be if it were not for this program. People with a somewhat adequate diet have the desire and energy to do something for themselves. People in countries where there is a minimum of hunger, and where they have been able to realize personal possessions are much more peace-loving countries than those that do not.

Mr. Robert G. Lewis testified before this committee yesterday and proposed a new type of transaction be authorized under title I of Public Law 480. The National Farmers Organization is one of the sponsors of this study. As Mr. Lewis said, he has not yet completed

his study, and we have not had the opportunity to review his conclusions. However, I can say that we favor the objectives that Mr. Lewis outlined in his testimony. We urge this committee, which has vast knowledge of the food-for-peace program (Public Law 480), and all other agricultural programs, to study this proposal. If this committee, and Congress as a whole, conclude that Mr. Lewis' proposal will have that result, then we hope it will see fit to amend the law accordingly.

The National Farmers Organization wishes to stress also, as Mr. Lewis said in his statement yesterday, that food-for-peace should not be viewed as a substitute for other farm programs. I would like to report what Mr. Lewis said in his statement on this point.

* * * The new method proposed here for selling food and fiber under Public Law 480 is not claimed to be a substitute for other farm adjustment programs.

This is merely an extra tool—a tool that shows promise for contributing to the overall task of feeding the hungry, and stabilizing and improving the American agricultural economy.

We are confident that farmers will organize, and successfully bargain, for a price and stability in agriculture. Even with this success through collective bargaining, it is still the responsibility of the entire nation, not just farmers, to help alleviate hunger throughout the world.

We are dedicated now and in the future to support any legislation that will improve farm income, and will be beneficial to the people of our Nation.

We appreciate the opportunity to appear before you and hope that our testimony has been helpful.

The CHAIRMAN. We are very much obliged to you, Mr. Fairbanks. Your testimony is helpful; we feel it is right to the point. We appreciate your statement.

Are there any questions of Mr. Fairbanks?

If there are not, we are very much obliged to you.

Mr. FAIRBANKS. Thank you.

The CHAIRMAN. We are glad to have had you back with us again.

Our last witness is Mr. William C. Paddock, coauthor of "Hungry Nations" and "Famine—1975." I am delighted to hear from somebody who is opposed to the bill, not that I am opposed to it, but I think this is good and I think that what we want in these hearings is to get differing viewpoints, and Mr. Paddock proposes to give a viewpoint against this bill.

You are very welcome; we are delighted to have you.

STATEMENT OF WILLIAM C. PADDOCK, WASHINGTON, D.C.

Mr. PADDOCK. Thank you very much, Mr. Chairman and members of the committee.

It is a privilege to have this opportunity to explain my views on the food-for-freedom program.

Last month the former chairman of this committee, in a speech discussing the 1966 hearings on this bill, said, "Not one witness testified against the food-for-peace bill." I hope, Mr. Poage, that such a statement will not be made in the future on this hearing.

Mr. Poage has already indicated that I am against the bill.

I am against the current food-for-freedom bill.

I am not, as I indicated, against food aid nor do I advocate curtailing food shipments.

But I am against the current bill because there is no evidence that its contribution towards combating hunger and malnutrition will be any greater than its predecessor—and that has been minimal. I am also against the bill because it is not being considered as a part of an overall, coordinated U.S. attack on the world food/population crisis.

My views are derived from my experience during the last 18 years living and working as a trained agriculturist in the developing countries.

My first article on the food problem, entitled "Can We Make the World Feed Us All?" was written in 1952 for the Saturday Evening Post at a time when this committee was deliberating on whether or not to send India 2 million tons of grain. Most of my writing has been with my brother who is a retired Foreign Service officer of the State Department with more than 20 years of living in the developing countries of Asia, Africa, and Latin America.

I was at one time in charge of the Iowa State College tropical research program in Guatemala where for 5 years I was primarily a corn breeder. For another 5 years I headed the Pan American School of Agriculture in Honduras, a school which draws its students from most of Latin America. As head of the Latin American Affairs of the National Academy of Sciences I was largely concerned with attempting to create regional agricultural research centers in the tropics. I speak to you, then, as a result of this background, not as a representative of any group with vested interests in the food for freedom bill; that is, farm or church groups or a segment of the agribusiness community.

The bill today has two changes which make it quite different from the original 1954 Public Law 480.

First, in 1966 our agricultural surpluses were nearly exhausted and no food for peace bill could thus be based on surplus commodities. We had essentially done away with our farm surpluses. Therefore, Congress removed the surplus concept from the bill.

Second, Congress in 1966 added the idea of "self-help." By then the program needed a new look. Let me comment on this new "self-help" look.

In 1966, we were losing the battle against hunger.

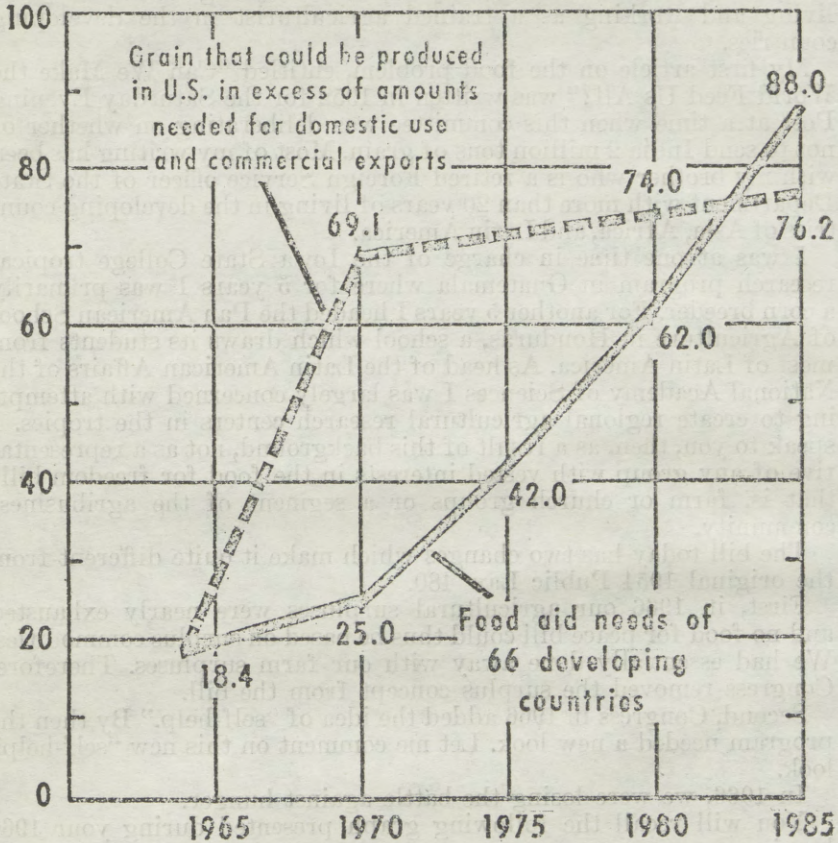
You will recall the following graph presented during your 1966 hearings:

(The graph referred to follows:)

U.S. Availability of all Grain for Food Aid and Food Aid Needs of 66 Developing Nations,

mil. metric tons

1970-1985



Mr. PADDOCK. I think you all have a copy of this chart that Secretary Freeman presented to the group at that time.

At those hearings the Secretary of Agriculture said that "the point at which the lines cross signifies the onset of disaster. By 1985 there would be no way to fill the (food) gap."

The information given this committee then was that Public Law 480 was not doing much of a job in alleviating the world food problem. In fact, the Secretary said, "the world situation in terms of food needs is much more alarming today than it was 12 years ago," or, in other words, before passing Public Law 480 in 1954.

Thus, if Public Law 480 was to be continued in 1966, it had to have a new look.

Self-help is that look.

There was, and is, nothing new about self-help. Our foreign aid efforts have always attempted it. For example, the Public Affairs Institute in 1950, writing about President Truman's point 4 program, pub-

lished a booklet entitled "Helping People Help Themselves," which had a section entitled "Self-help in the Sub-continent," or in India.

I have gone through the 1966 hearings of this committee and find that while you attempted to learn what was new about self-help, you never had a specific answer. Furthermore, I have read the publication which was presented to this committee as evidence that self-help is the key to success in feeding the world. But in that publication, "Changes in Agriculture in 26 Developing Nations 1948-1963" (Foreign Agricultural Economic Report No. 27, Economic Research Service, U.S. Department of Agriculture), I find no such evidence.

I see undefined self-help as no criterion for separating those countries which should, from those which should not, receive our aid. For I know of no country on this planet which does not wish and does not attempt to help itself. Certainly, though, few countries are completely successful in using sound judgment as to how to develop their agriculture, our own included.

In 1966 the world agricultural situation was black.

However, the last 2 weeks the Department of Agriculture has released statements which appear to give a much brighter picture of the future, a statement by Secretary Freeman a couple of weeks ago, by Dr. Lester Brown, Administrator of the International Agricultural Development Service, and another publication—the annual World Agricultural Situation Report—which I do not have with me but which you, probably, will hear about tomorrow when Mr. Freeman testifies.

These statements are based on the crop yields of 1967-1968. Those yields resulted from last year's unusually good to excellent climatic conditions which occurred throughout the grain-deficit countries of Europe, west Asia, Latin America, and in India, Pakistan, and mainland China.

The fact that Mexican wheats and Philippine rice varieties were grown on some 16 million acres this past year is encouraging. However, I have seen no data which directly relates the use of these new varieties to this year's agricultural increases. The growing climate that God gave most of the food deficit areas this past year has been far and away the dominant factor. Certainly, no one will say—for time has been too short—that the self-help aspect of this bill has had an impact on the current statistics.

Use of new seed varieties brings hope.

A hungry nation's increasing investment in its agricultural development brings hope.

CSM brings hope.

Coca-Cola bottling a protein-rich drink brings hope.

The success of the Hong Kong soft drink, Vitasoy, brings hope.

These are hopes that should not be ignored.

I pray that they become something much more than hopes.

But let us accept them for what they are; hopes.

Remember that it was only last summer that the Director-General of the U.N. Food and Agriculture Organization said that per capita "food production in the developing countries is estimated as more than 4 percent less in 1966 than in the peak year of 1964 and lower than in any year since 1957." Last month, just 2 weeks ago, the same organization said that "the world shortage of rice is worsening."

Current releases from USDA, however, stress the record-high 1967 agricultural production and show that the hungry nations increased per capita agricultural production by 5 to 6 percent above the 1966 levels. If this is true, and I hope that it is, this still will not bring the per capita level up to the 1964 level—a year when growing conditions were good but not, apparently, as good as last year. In talking of India's current bumper crop, I note that the 1967-68 harvest will not be completed until this coming May and thus today we do not really know what that harvest will be.

Let me say that I hope the optimism that we are now hearing on the world food situation is correct.

But do not base a multibillion-dollar program on hopes. Base it on facts and if you do not have the facts, wait until you do.

If this committee believes that the world agricultural picture has changed since it held hearings on this subject in March of 1966, I suggest that you consult the report on the world food supply issued 10 months ago by the President's Science Advisory Committee.

You all have copies of this.

That group's first finding was that "the scale, severity and duration of the world food problem are so great that a massive, long-range innovative effort unprecedented in human history will be required to master it." Even though that committee said that money was not the most serious limiting factor—scientific, technical and managerial skills were—the solving of the world food problem would require more than \$12 billion more capital investment than was being spent in the developing countries in 1965. To achieve such expenditures would "require capital and technical involvement of developed and developing nations alike on a scale unparalleled in the peacetime history of man."

Is any nation ready for such an effort?

Certainly ours is not. I have been told that at this moment our Agency for International Development is cutting back by 25 percent its agricultural programs. The office of the war on hunger, the office which is supposed to plan and coordinate our agricultural abundance in the fight for enough food, sits now under a cloud of doubt. Last weekend most of the staff of the office of the war on hunger was moved out of the New State Department Building—where, at least by simply being housed there, the staff had a degree of prestige—to something called SA-10 which, I think, is a converted old veterans' hospital.

I know of no technically qualified agriculturist who believes that current efforts being undertaken will, in the long run, solve the food problem.

At the most, the programs buy us a bit more time to get the population problem under control. Here again, though, current efforts are not going to do the job. While great progress has been made in our being able to publicly discuss birth-control techniques, there is no evidence that man can successfully control the population explosion in the developing world—testimony on Korea, Japan, Taiwan, Hong Kong notwithstanding.

What progress is being achieved in India is minuscule when related to the task that is required. I hope you saw the story in this morning's Washington Post on this. In the discussions by the Indian Government on the number of vasectomies being performed, the IUD insertions,

and family planning clinics being established, we do not hear the successes by that Government in lowering the death rate—which is being done much more quickly than is the lowering of the birth rate. This means that the population explosion of India could well increase rather than decrease in the next 15 years. That is, of course, if famine does not first take its toll.

In all of our preoccupation with Asia today, do not overlook what is happening in a number of countries whose strategic importance at the moment may not measure up to that of a country such as India.

Prosperous little Costa Rica as well as the politically racked Dominican Republic, for example, will double their populations in less than 18 years. It is highly unlikely that they can double their agricultural production in that length of time. I mention this only to show that the demands on our agricultural production may very well increase in the future, rather than decrease; and that the demands will come not only from the countries that now concern us—such as India and Egypt—but from new areas as well.

Therefore, since there is still no evidence that the undefined “self-help” feature of the current bill will increase the effectiveness of our food aid program and since the optimism on the world food needs which we now sometimes hear is based on hope, not facts, I urge the committee not to pass a 3-year bill.

I urge, instead, a 1-year bill.

I further urge that this committee provide funds so that it may undertake, during the coming year, a study which will attempt to plan how our great agricultural capacity can be used most effectively in a long-range effort aimed at achieving world food self-sufficiency and stability.

President Johnson, when he proposed extending the food-for-freedom bill, said that it was a “lifeline of hope to the needy of the world.”

Why should it be only for the needy?

It should, instead, be considered a basic tool for achieving world stability.

In other words, it should be a lifeline of hope for everyone in this world.

The study which I urge you to make should attempt to coordinate the agricultural productivity of our Nation with all of our foreign policies, obligations, and commitments. It is self-deceiving for this committee to increase or even extend food aid in the belief that it is helping to solve the world food problem when, at the same time, Congress cuts back on our other foreign aid commitments, forcing the Agency for International Development to curtail its agricultural development programs.

How do we coordinate the objectives of our food aid program with the needs of our U.S. farmers? This question was asked by your chairman this morning.

How do we prepare ourselves so that we are effective in the event that the future world food needs become much more rather than much less severe?

If our food aid is buying us time in which to solve the population problem, how much time can we buy?

These are some of the questions which your study should resolve during the coming year. Only when these and similar questions are resolved, will food aid play a successful role in the fight against hunger.

The CHAIRMAN. You have made a very interesting and I think thought-provoking statement. We appreciate it, whether we agree with you or not. I do not agree with all of it, but I think what you have said needs to be said to this committee in raising these questions that you have raised.

If I understood you correctly, you have a great deal more confidence in study commissions than I have.

[Laughter.]

The CHAIRMAN. You apparently believe that we should have a committee to study this for another year and that that will result in a report such as you have quoted. I do not think that you have much confidence in the Commission's recent report, and I do not think that the creation of another one will get any different results. That is the way we generally do it. We start out with what results we want to approve, and then we form a commission to go out and prove our position. I think we might just as well consider what the opposition is right here in the open, rather than to appoint a commission or committee to go out and bring in the recommendations that we want.

Mr. PADDOCK. I believe we all know what is needed, and I think that you are very correct in this. I think that this committee needs to establish this, since it knows what needs to be done. We cannot have three or four different objectives in our foreign aid program and, also, three or four different programs, with all trying to zero in on varying objectives. If we do, how can our foreign aid program be an effective one? What I fear is that if we continue as we have in the past, Mr. Chairman, we will end up 10 years from now having frittered away nearly \$15 billion worth of additional food aid. This is, in essence, what the Secretary said we had done 2 years ago. We have gotten rid of our surpluses without achieving the basic goal. We cannot continue in this way. I, for one, would like to see the agriculture potential of this country used far more effectively than it has been in the past. If it does not take a committee or a commission to do this, fine. I really believe that everyone knows what needs to be done.

The CHAIRMAN. There is one other point that I would like to discuss very briefly. You are of the opinion that there are many nations of the world that are going to face very severe famine in the very near future, and that there are some of them where it will be so bad that there will be no need of going to their rescue because we will not be able to put out the fire and that we will simply waste our resources and not be able to help in other places where we could help.

Mr. PADDOCK. That is correct.

The CHAIRMAN. I was wondering whether you felt there was any real relationship between the inability of nations to feed themselves and the refusal of nations in the world to pay the farmers enough for their products to enable them to produce?

Mr. PADDOCK. In the developing countries?

The CHAIRMAN. Yes, everywhere, in the United States and every other country.

Mr. PADDOCK. Well, there are two different problems there. Let me speak concerning the developing countries. This, of course, is an important factor. If you raise the price of the commodity, the farmer is able to pay for his fertilizer and other inputs. However, when you do this, you raise the cost of living for the rest of the people in the country; you raise the cost of living in the urban population, and that is the segment with which most of these governments are more concerned. As the cost of living goes up, you are going to have a reaction.

It is fine to increase the price to the producer if the people can pay it.

I say, Mr. Chairman, your suggestion is just one of several which are needed to get the agriculture in these countries moving—just one of several.

The CHAIRMAN. Well, now, let us see if we are thinking along the same wavelength. Do you know of any of these developing nations or developed nations that can use modern techniques without a greater return from their agriculture?

Can you pay for the use of modern technology on the present price level?

Mr. PADDOCK. In the developing countries?

The CHAIRMAN. Anywhere.

Mr. PADDOCK. Well, no; of course, the farmer has to have a sufficient return, and we know very well in this country what that return is. We have the technology. If the price is right, our farmers will put it into practice.

In the developing world, there is a question mark here: Does the technology exist? Some of the technology does exist; some does not.

In Central America, for instance, right now, they are using only a small part of their fertilizer-production capacity. Why? Because the price of fertilizer is too high, or you can say that the price of the commodity is too low.

Or one can say that we do not know how to use the fertilizer effectively.

The technology, the research has not been carried out which will show the Central American how to use the fertilizer within his price structure. There has been virtually no research carried on in this field.

There are several factors involved here. I do not know whether I have confused the issue there or not.

To answer it another way, I do not see that we can make enough progress in this area to achieve success in the years remaining in a number of areas of Asia, Africa, and Latin America.

The CHAIRMAN. I do not want to consume all of the time.

May I ask one more question?

You are familiar with the situation in India. I would like your judgment on whether you think that cotton is economical as a crop for the Indian farmer—and by that I mean compared with American standards. They produce about 18 or 19 percent of what we do per acre; on the other hand, they produce about 45 percent as much wheat per acre as we do, and rice; I think it is about the same as wheat.

I will ask you to compare the American standards with that. Do you see a proper place for a large acreage crop of cotton in India?

Mr. PADDOCK. Well, Mr. Chairman, every country wants to be self-sufficient. This is one of the problems. Whether they can produce cotton efficiently or not, they will want to produce it for their own satisfaction.

The CHAIRMAN. They will have to increase their dependence on other countries for their wheat and rice supplies to the extent that they divert that land to cotton production; will they not?

Mr. PADDOCK. I would think so. At the moment, of course, India is very optimistic on its status as far as food production is concerned. I wish myself that we had perhaps cracked the whip on our food aid back in the fifties when Nehru was undertaking his industrialization program and knew that he could fall back on the abundance of our Middle West. If, in 1952, 1953, 1954, and 1955, India had started the programs she is now cranking up, India would not be in the jam that she is in today and we might not be feeding, as we have the past 2 years, 60 million Indians.

The CHAIRMAN. Thank you, Mr. Paddock, I would be delighted to continue the discussion for a long time, but I know that others want to ask you some questions.

Mrs. May?

Mrs. MAY. I do not like what you have said; I do not like what you say at all. It depresses and it worries me; it scares me. But I am intelligent enough to know that I had better listen to what you say. I felt that way when I read your book some time ago.

I can only say, in comment, that a few years ago I proposed, and this committee adopted, an amendment to Public Law 480 whereby we established an advisory committee. Members were to be the Secretary of State, Director of the Bureau of the Budget, Secretary of Agriculture, and the Administrator of AID. Also members—chairman and ranking members of the House and Senate Committees on Foreign Affairs, and Committees on Agriculture. They had the responsibility of getting together to discuss just what you have been discussing with us today, and to try to reach a policy position on these problems. I do not recall that, 2 years later, it has met. I would like to say that after I heard you speak at one time I sent you an invitation to speak to the Agriculture Committee and the Committee on Foreign Affairs. The chairman of both committees agreed that it would be a good idea. I hope that we can act on this before it is too late.

Our distinguished colleague, Mr. Purcell, of Texas, often uses the phrase, "We should get caught trying." This applies here.

I am well aware of all of the problems we have in trying to get farther down the road toward a really meaningful and effective food aid program. But I do not agree that we should drop Public Law 480—the present effort we have before us. We must keep it going until we finally come up with a better answer.

I also disagree when you say that everyone knows what the problem is. I think that your book, and other articles I have read, have alerted a part of the public to this problem. But I do not think there is enough general understanding of how immediate and urgent possible world famine problems are. Until that general public awareness comes to us, it will be true, as the chairman said, that no committee, no study or advisory group, will do what they should do, and face up to the situation.

I thank you for your statement. I do not thank you for making me so despondent, but I think you for the statement.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. I have one question, and maybe a second one—I do not know. Did I understand you to say that if we did concentrate all of our efforts on Egypt, for example, and if we pulled them through, that then they could establish their own Public Law 480 programs to help us with the rest of the world?

Do you think we could do that?

Mr. PADDOCK. I think you could imply that from what I said, yes; but I do not believe it, no. I was merely saying that we could not help all of the countries. We are going to have to make choices as to which countries we help and which countries we do not help. I would like to see the choices made on the basis of pulling through countries which can shoulder this burden, which would not, in my opinion, be Egypt.

Mr. O'NEAL. If you do not think that Egypt could, can you suggest one that you think would?

Mr. PADDOCK. I indicated Pakistan might be able to.

What Pakistan can do cannot necessarily be done by India. Pakistan has a potential which India does not have. To pull Pakistan through is going to be a major chore.

Mr. O'NEAL. Do you think that Pakistan, after they were pulled through, would adopt their own Public Law 480 to help us with the rest of the world?

Mr. PADDOCK. Well, let us say that I would hope they would shoulder some of the burden in their neighborhood. Certainly, there is no one who can today.

Mr. O'NEAL. None of your testimony here today is such that we could base our program upon—that is, these are not facts but hopes; is that right?

Mr. PADDOCK. That is right. If we undertake zeroing in our resources necessary in a major effort to make a country able to feed itself, then we should first obtain in return, for our help a guarantee that when they are able they will shoulder their share of the burden.

Mr. O'NEAL. Thank you. No more questions, Mr. Chairman.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. You have referred to the failure of the monsoon in India. As a result they had a production of 63 million tons of grain in 1 year and the year before they only grew 67 million tons, whereas the average has been around 80 million tons. The current estimate, as given us yesterday by Dr. Lewis who just returned within the last week from India, was to the effect that they were going to grow about 100 million tons this year.

Mr. PADDOCK. That is right.

Mr. GATHINGS. I do not know whether self-help had a great deal to do with that or not. In any event, they are moving up into better production; they are getting more out of their acreage in yield and it will help to feed hungry people. Self-help may or may not have had anything to do with that.

I cannot understand your views though, by saying that what we need to do is to study this matter a while and just forget about what we have been doing, because you say that the Secretary of Agriculture 2 years ago here, 1966, said that 15 years had been wasted, nothing accomplished. The first Public Law 480 was enacted 15 years ago. During that 15-year period of time, are we not better off today in

feeding these hungry people? Would they have been in worse shape had they not been fed—or had not Public Law 480 been on the statute books for these 15 years?

Mr. PADDOCK. There are many who feel that India would be better today if she had not received that food.

Mr. GATHINGS. Do you feel that way about this aid we have provided?

Mr. PADDOCK. Yes, I do. It would have forced India fifteen years ago to recognize the value of putting more money into agricultural development.

Let me say this: My experience in agriculture in the developing world has been long. In 1964, my brother and I published "Hungry Nations" which was very well received. It was a plea for the developing countries and those countries giving aid to emphasize agriculture. When the book came out, you cannot imagine the lack of interest there was in agriculture and agriculture development among the development experts.

What is the concern today?

It is over agricultural development in the developing world. This concern has not come through any wisdom on the part of any Government committee that I know of, no wisdom on the part of administration; no wisdom on the part of our scientific community, our agriculturists. It is the result of one thing only: the threat of famine in India. That is what has done it.

If we had had a similar threat of famine in India in 1954, I am quite confident the world would be a different one today, because the world would have knuckled down in 1954 as it is now trying to do. But look at the situation in the world today, sir. It is quite different than it was in 1954. We have infinitely more people. India is now adding to its food population by 1 million mouths a month.

Mr. GATHINGS. But you think that the best thing to do is to forget Public Law 480 and not extend it at all?

Mr. PADDOCK. I said to extend it for 1 year, during which time we should try to figure out how to make it more effective. Then, extend it for 3 or 10 or 20 years, but let us have a coordinated effort. We have here this committee considering extending food aid to the world for the principal purpose of helping the world feed itself, while on the other hand, we have another group in Congress cutting back appropriations for our foreign aid programs.

Mr. GATHINGS. Let me ask you this: It is your view that we stop this work on Public Law 480 but to get over there in the other committee and go to work on AID; is that what your testimony is?

Mr. PADDOCK. I would like to see the efforts coordinated. If it can be done that way, fine. There are several ways of coordinating this effort, but it has to be coordinated. We have to zero in on the target.

Mr. GATHINGS. So what you are alarmed about is a reduction in the funds for AID; is that what you are wanting?

Mr. PADDOCK. No, sir; that is not it. My basic alarm is that we are moving into a period in the world where much of the world will be facing a time of famines. The United States has a tremendous agricultural potential which can play an important part in bringing that world through that time of famines. But we are not organizing ourselves so that our agricultural potential can be effective when the

famines come. To succeed, we cannot have several programs involving agricultural development in the world going off in different directions. If we do we will fritter away our resources. We need to zero-in. And this we are not doing.

Mr. GATHINGS. That is your attitude?

Mr. PADDOCK. Yes, sir.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any other questions?

Mr. Wampler?

Mr. WAMPLER. I believe that Taiwan and Israel have programs trying to help other emerging developing countries; is that not true?

Mr. PADDOCK. Yes, sir.

Mr. WAMPLER. Do you have any suggestions as to how we might get other nations to help undeveloped emerging nations?

Mr. PADDOCK. Well, we do not have many countries other than those in Western Europe which can help. Those two countries, Taiwan and Israel, had a tremendous amount of foreign aid. If we were to give, for instance, on a per capita basis, the same amount of aid to India as we have to Taiwan, we would have to make a \$120 billion investment in India.

Mr. WAMPLER. I do not agree with your entire statement, but I do find some rather interesting statements in it. For example, I, too, see a great deal of inconsistency in our foreign aid in the matter of armaments and the like. It is my feeling that we want to do everything we can to help feed hungry people, but the point you make is valid in that there is a lack of coordination. I would like to see Public Law 480 help feed hungry people in the world.

Mr. PADDOCK. Remember, there will always be more hungry people—more every year.

Mr. WAMPLER. I heard on television this morning that the population of Red China is almost 50 million more than it was last year.

I appreciate your statement and your comments. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. If there are no further questions, we are very much obliged to you, Mr. Paddock.

Mr. PADDOCK. Thank you very much.

The CHAIRMAN. We appreciate your stimulating and interesting statement.

That completes the list of witnesses for this morning.

The Committee will meet tomorrow morning at 10 o'clock.

(Whereupon, at 12:30 p.m., a recess was taken until 10 a.m., Friday, March 8, 1968.)

EXTENSION OF PUBLIC LAW 480

FRIDAY, MARCH 8, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 1301, Longworth House Office Building, W. R. Poage (chairman) presiding.

President: Representatives Poage, Gathings, McMillan, Abernethy, Stubblefield, O'Neal, Vigorito, Nichols, Belcher, Teague of California, Goodling, Mathias, Mayne, and Zwach.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; and Fowler C. West, assistant staff consultant.

The CHAIRMAN. The Committee will come to order.

We want to conclude these hearings today if we can. We have several witnesses this morning. The Secretary of Agriculture is scheduled to appear at 11 o'clock, and the Chair feels that we should hear him at the time scheduled.

The Committee is in session this morning for the further consideration of the extension and possible modification of Public Law 480.

The first witness this morning is Dr. William E. Moran, vice president, International Economic Policy Association, Washington, D.C.

Dr. Moran, we will be glad to hear from you now. We do not want to rush anybody, but I think we should try to keep in mind that we wish to hear all of the witnesses who are scheduled to be before us this morning.

STATEMENT OF WILLIAM E. MORAN, JR., VICE PRESIDENT, INTERNATIONAL ECONOMIC POLICY ASSOCIATION, WASHINGTON, D.C.

Mr. MORAN. Mr. Chairman and members of the committee, the International Economic Policy Association represents a group of American international business corporations vitally concerned with the success of our foreign economic policies, in the interest of free world security and prosperity, and in the advancement of the concepts of private ownership of property and private enterprise as the best means toward economic and social development and the raising of the standards of living of all peoples.

SUPPORT FOR OBJECTIVES OF THE PRESIDENT

The International Economic Policy Association is in full accord with the basic objectives of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and the proposal that it should be extended for a 3-year period. We understand these objectives to be the relieving of hunger and malnutrition, the fostering of

economic development through food aid, assisting U.S. farmers to market their commodities through both commercial and food aid channels, and a furthering of specific U.S. foreign policy objectives. Public Law 480 has proved itself a vital and flexible instrument in working toward these objectives. At this time, when the United States is suffering from such serious balance-of-payments deficits, this is a most appropriate instrument since it involves a transfer of real resources rather than money. So long as it is managed so as not to interfere with normal marketings, it makes possible the provision of substantial assistance to less developed countries without an adverse effect on the U.S. balance of payments. For all of these reasons, the association has given and will continue to give its full support to this program.

History will surely judge this undertaking not merely as an act of self-interest on the part of the United States, but also as an act of true generosity for the benefit of mankind. The world's judgment today can hardly be different. The food for peace program is one of the most effective methods we know for projecting a positive American image in foreign lands.

In his message on agriculture, President Johnson emphasized the urgency of combating hunger and called for the United States to continue to lead the world in the war against hunger. He reiterated the need to shift from foreign currency to dollar sales to improve our balance of payments. We heartily support these objectives. He also noted the need for the cooperation of other nations in meeting this problem. While here we also agree, we cannot help but note the limited extent to which other developed countries have been prepared to share this burden. Despite our willingness to meet nearly half of the costs of a world food program under the United Nations, other countries have not come forward with pledges sufficient to meet the relatively small targets set for that program since its inception in 1962. Unfortunately, most food surplus countries are intent upon earning all they can and would rather sell for cash to Communist China than provide food to India on concessional terms. Therefore, while the objective of world cooperation is highly desirable, its early attainment is doubtful.

In no other area of human endeavor has there been a better demonstration of America's technical competence, matched in equal measure with generosity, to assist needy countries than in food production and distribution. In no other field has there been a better demonstration of progress under conditions of private ownership and incentives than in agricultural production in the United States. This knowledge we must make available to the rest of the world.

We fully agree with the President in his conclusion that ultimately the world's need for food must be met by self-help measures. There will not long be enough surplus capacity in traditional food exporting countries to meet the needs of a growing world population. We also agree that the channels of private trade should be used to the maximum practicable extent in procuring and handling agricultural commodities for use in this program, as provided in sections 103(e) and 107 of the Food for Peace Act of 1966.

PUBLIC LAW 480 AND THE BALANCE OF PAYMENTS

The United States has substained serious balance-of-payments difficulties for many years as a result of the very heavy expenditures in meeting its foreign commitments. Every effort must be made to expand our earnings of hard currencies to reduce these deficits. The program here proposed is not one for the disposal of surplus food. The agricultural commodities supplied under this program will be bought and paid for by the United States to the tune of almost \$1.5 billion this year. It is, therefore, important that, to the maximum extent possible, the recipient countries pay in dollars or convertible local currencies within a reasonable period of time.

Section 103(b) of the Food for Freedom Act of 1966 called upon the President to "take steps to assure a progressive transition from sales for local currencies to sales for dollars * * * at a rate whereby the transition can be completed by December 31, 1971." Provision was made that dollar sales should be made on terms not to exceed 20 years with a grace period of not more than 2 years. This same section made provision for sales for convertible local currencies on the same terms as those provided for in section 201 of the Foreign Assistance Act. (The terms of such loans have ordinarily been 40 years with a 10-year grace period.) Provision was also made in section 103(k) of the Food for Peace Act of 1966, requiring where practicable, that 5 percent of the purchase price of any agricultural commodities sold under title I be paid on delivery in dollars or foreign currencies convertible into dollars.

Efforts to meet this requirement have not to date had such success as to indicate any probability that all or most sales will be shifted to dollars by December 31, 1971. Tables I, II, and III show sales made for local currency, convertible local currency credit agreements, dollar credit agreements, and initial payments on delivery during calendar year 1967. Dollar agreements came to a total of \$139 million and convertible local currency agreements came to \$152 million for a total of \$299 million compared to dollar credit agreements in 1966 of \$311 million, while local currency sales came to \$912 million compared to local currency sales of \$1 billion in 1966. Payments on delivery in dollars or convertible currencies in only one case exceeded the 5 percent figure and no such payments were made in connection with convertible local currency sales. This does not suggest that it has yet been possible so to administer the program as to increase its contribution to the solution of the balance-of-payments problem.

TABLE I.—FOOD FOR PEACE
CALENDAR YEAR 1967 LOCAL CURRENCY AGREEMENTS FOR SALES OF U.S. AGRICULTURAL COMMODITIES
[Dollar amounts in millions]

Country	Date, 1967	Market value ¹	Total CCC cost	Initial payment (percent)	Percent		Uses of foreign currency		
					U.S. use	104(e) Cooley loans	104(f) economic development	104(g) grants	Other
India	Feb. 20	\$135,000	\$140.20	0	8	5	87-percent loans		
Ghana	Mar. 3	5,480	6.80	0	20	15	65-percent loans		
Vietnam	Mar. 13	47,400	50.10	0	100				
Tunisia	Mar. 17	10,388	10.833	1.2	20				
Korea	Mar. 25	47,380	68.20	0	20	10	70-percent loans		
Ghana ²	Apr. 6	1,540	1.68	0	20	6	74-percent grants		
Morocco	Apr. 20	5,630	6.103	3.0	20	10	65-percent loans		
Pakistan	May 11	32,800	34.20	0	8	5	70-percent loans		
Sudan	June 3	11,450	11.45	5.0	20	5	65-percent loans, 12-percent grants		10-percent 104(h) grants.
India	June 24	87,800	90.10	0	8	5	75-percent loans		
Vietnam ²	July 26	2,200		0	100		87-percent loans		
Pakistan	Aug. 3	85,500	87.60	0	8	5	57-percent loans, 30-percent grants		
Israel	Aug. 4	13,800	13.80	0	25	5	70-percent loans		
India ²	Sept. 12	67,500	67.50	0	8	5	87-percent loans		
Vietnam ²	Sept. 21	90,000	90.00	0	20				80-percent 104(c) grants.
Do. ²	Oct. 24	4,600	4.60	0	20				Do.
Morocco	Oct. 27	2,460	2.46	0	20	15	65-percent loans		
Tunisia	do	12,470	12.63	3.0	20	10	70-percent loans		
China	Nov. 6	10,380	10.46	2.5	8	10	80-percent loans		2-percent 104(h) grants.
Ghana ²	Dec. 12	37,500	37.50	1.0	50				50-percent 104(g) grants.
Pakistan	Dec. 18	0,740	0.74	0	20	15	65-percent loans		
Pakistan	Dec. 26	31,400	32.10	0	8	9	53-percent loans, 25-percent grants		
India ²	Dec. 30	168,600	172.80	0	8	5	87-percent loans		
Total		912,018	951,856						

Source: Individual agreements in "Treaties and Other International Acts Series."

¹ Including ocean transportation.
² Amendments or supplements to previous agreements.

TABLE II.—FOOD FOR PEACE

CALENDAR YEAR 1967 CONVERTIBLE LOCAL CURRENCY CREDIT AGREEMENTS FOR SALES OF U.S. AGRICULTURAL COMMODITIES

Country	Date (1967)	Market value ¹ (in millions)	Total CCC cost (in millions)	Terms of payment				
				Initial payment	Grace period		Final payment	
					Years	Percent	Years	Percent
India	June 24	\$24,200	\$27.30	-----	10	1	31	2½
Afghanistan	July 19	4,340	4.87	-----	10	1	31	2½
Pakistan	Aug. 3	23,400	26.60	-----	10	1	31	2½
India ²	Sept. 12	19,000	21.00	-----	10	1	31	2½
Indonesia	Sept. 15	19,500	19.50	-----	10	1	31	2½
Guinea	Oct. 18	3,420	3.51	-----	6	1	25	2½
Indonesia ²	Nov. 1	1,300	1.33	-----	10	1	31	2½
Indonesia ²	Nov. 9	.260	.26	-----	-----	-----	-----	-----
Indonesia ²	Nov. 22	1,550	1.75	-----	10	2	31	2½
Indonesia ²	Dec. 26	8,700	8.90	-----	10	1	31	2½
Pakistan	Dec. 30	46,900	53.90	-----	10	2	31	2½
Total	-----	152,570	168.92	-----	-----	-----	-----	-----

¹ Including ocean transportation.² Supplements or amendments to previous agreements.

Source: Individual agreements in "Treaties and Other International Acts Series."

TABLE III.—FOOD FOR PEACE

CALENDAR YEAR 1967 DOLLAR CREDIT AGREEMENTS FOR SALES OF U.S. AGRICULTURAL COMMODITIES

[Dollar amounts in millions]

Country	Date (1967)	Market value ¹	Total CCC cost	Terms of payment				
				Initial payment	Grace period		Final payment	
					Years	Percent	Years	Percent
Congo	Mar. 15	\$6,050	\$9.33	-----	2	1	19	2½
Tunisia	Mar. 17	3,393	3.393	1.2	2	1	19	2½
Congo ²	Apr. 6	2,520	2.73	-----	2	1	19	2½
Morocco	Apr. 20	5,908	6.596	3	2	1	19	2½
Iceland	June 5	1,252	1.45	5	-----	-----	18	4½
Congo ²	June 26	0.850	0.85	-----	2	1	20	2½
Israel	Aug. 4	13,800	13.8	-----	2	-----	19	2½
Brazil	Oct. 5	35,950	35.95	5	1	2½	20	2½
Liberia	Oct. 23	0.850	0.85	5	2	1	19	2½
Ceylon	Oct. 25	9,970	10.86	-----	2	1	19	2½
Morocco	Oct. 27	13,190	13.74	3	2	2	19	2½
Tunisia	Nov. 6	11,330	11.81	2.5	2	1	19	2½
Congo ²	Dec. 11	13,400	13.82	-----	2	1	19	2½
Do ²	Dec. 21	0.570	0.57	-----	2	1	19	2½
Paraguay	Dec. 22	2,400	2.63	5	-----	-----	19	2½
Chile	Dec. 29	17,600	18.39	10	-----	-----	19	2½
Total	-----	139,033	146,769	-----	-----	-----	-----	-----

¹ Including ocean transportation.² Amendments or supplements to previous agreements.

Source: Individual agreements in "Treaties and Other International Acts Series."

Mr. MORAN. Payments on delivery were minimal. Not only were the total of dollar and convertible currency credit agreements less in 1967 than sales for dollars in 1966, but the convertible local credit agreements, with but one exception, were for 40-year terms and 10-year grace periods. This means that they cannot be expected to make any contribution to the improvement in our balance-of-payments situation at any early date, if at all.

Credits for foreign aid on the softest development loan terms are hardly credits at all. Under such circumstances, "sales" of commodities

take on more the character of grants. After 10, 20, 30, or 40 years the disposition, willingness, or ability of most of the countries to repay massive amounts of convertible local currencies for food consumed long ago would be problematical. It is, therefore, hardly realistic to think of convertible local currency sales on such terms as a real way station to commercial sales.

The United States is confronted with an immediate balance-of-payments problem which requires that we secure as much in dollars or hard currency income as we can from every source. This need cannot be satisfied through conversion from local currency sales to convertible local currency sales on a 40-year basis with 10-year grace period.

Long-term loans of this nature, under which no payment need be made during the first 10 years, provide the recipient with needed commodities without the need for payment in hard currencies. The hard currency earnings they would have had to use are thus available to them to meet other needs. All too often an important part of such needs is to repay other "aid donors" who have insisted on hard-credit terms. India is a good example. From 1946 until the end of 1966 we had provided aid to India in the amount of \$6,769 million. One billion five hundred and three million dollars was in the form of grants. Five billion two hundred and sixty-five million dollars was in the form of so-called loans. Over the entire period the total repayment on these loans, interest and principal payments, amounted to \$528 million. While we were thus providing resources to India, other members of the aid-India consortium were acting quite differently. The largest donors were Germany, France, Italy, and Japan. Germany, even with recent softening of loan terms, had an average rate of interest of approximately 4.3 percent and almost half of her loans were for terms of 1 to 16 years. French assistance has been in the form of 10-year loans at interest rates of $5\frac{1}{4}$ to 6 percent. Italy also provided funds on 10-year terms with interest rates of 6 percent, but did allow a 2-year grace period. Japan has lent funds on 15- to 18-year terms at $6\frac{1}{4}$ to $6\frac{3}{4}$ percent interest. The United States is the only major contributor to India which generally provides funds on 40-year terms, including a 10-year grace period, at $2\frac{1}{2}$ percent interest except for the International Development Association, 40 percent of whose funds are provided by the United States.

The Association recommends, therefore that—

1. The importance of conversion to dollar sales be reiterated and emphasized.

2. The provision in section 103(k) of the Food for Peace Act of 1966, requiring that 5 percent of the purchase price of any agricultural commodity sold under title I be payable on delivery in dollars or currencies which can be converted into dollars, be retained. It is appropriate that the requirement of immediate repayment of 5 percent be waived in the event the President makes a determination that the recipient country's foreign exchange resources make this impossible. At the same time, a higher percentage should be required wherever the recipient is capable of making the higher payment. This percentage should be gradually increased until by 1971, 25 percent of sales would be in hard currency.

3. The provision in section 106(a), requiring payment within years with no more than a 2-year grace period, be amended to cover convertible local currency as well as dollar sales.

We believe that this approach would help the United States in its balance of payments position immediately, would put pressure on recipient countries to undertake self-help measures and would lead more actively to a gradual transition to commercial sales.

SELF-HELP

Section 109(a) of the Food for Peace Act of 1966 requires that the President shall, before providing assistance under that Act, consider the extent to which the recipient country is undertaking self-help measures. This requirement is vital if these countries are to achieve sustained economic development and if we are to meet the world's food problem in a timely fashion. The agreements negotiated in 1967 appear to have uniformly conformed to this requirement.

Special efforts should be made in the agreements under the local currency sales programs to contribute to these self-help measures. Priorities in the use of such funds should be given to the following:

1. Improvement in agricultural production, storage and distribution, including credit facilities.
2. Diversification of production.
3. Agricultural research, experimentation, and extension.
4. Education and training.
5. Salary payments to supplement food payments on work projects for indigents.

PRIVATE ENTERPRISE

Section 104(e) of the Food for Peace Act of 1966 (Cooley Amendment) provided that foreign currencies accruing in connection with sales for foreign currencies under this Act should amongst others be used as follows: "for use to the maximum extent * * * for loans to United States business firms * * * for business development and trade expansion * * * and for loans to domestic and foreign firms * * * for the establishment of facilities for aiding in the utilization, distribution or otherwise increasing the consumption of their markets for United States agricultural products * * *." This was recognition by the Congress of the role which private enterprise could and should play in economic development, particularly in the improvement of agriculture, in the recipient countries.

Far too little attention has been paid to this provision. In calendar year 1966, out of \$1,030,982,000 equivalent in local currency arising from local currency sales, only \$44,155,000 or 4.3 percent was set aside for these purposes. In calendar year 1967, out of the equivalent of \$912,018,000 in local currency arising from local currency sales, only \$41,211,000 for an average of 6.74 percent was set aside for these purposes. (See tables IV and V.) This does not seem to be in accord with Congressional intent.

TABLE IV.—LOCAL CURRENCIES SET ASIDE FOR COOLEY LOANS IN CALENDAR YEAR 1966 AGREEMENTS

Date 1966	Country	Local currency, total in thousands of dollars	Percentage Cooley loan	Cooley loan, total in thousands of dollars
Jan. 3	United Arab Republic	\$41,050	5.0	\$2,052
Feb. 4	Guinea	2,380	5.0	119
Mar. 7	Korea	52,610	1.0	526
Mar. 12	Ceylon	4,540	10.0	454
Mar. 21	Vietnam	176,350		
Apr. 1	Ghana	7,460		
Apr. 2	Turkey	19,000	20.0	3,800
Apr. 5	Jordan	5,900		
Apr. 13	Sudan	4,160	5.0	208
Apr. 22	Bolivia	6,520	5.0	326
Apr. 23	Congo	4,940	4.4	218
May 26	Pakistan	104,162	5.0	5,208
June 6	Israel	23,500	5.0	1,175
July 30	Tunisia	13,370	10.0	1,337
Oct. 25	Morocco	9,600	10.0	960
Dec. 23	India	555,440	6.8	27,772
Total		1,030,982	14.3	44,155

¹ Average.

Source: Individual agreements in "Treaties and Other International Act Series."

TABLE V.—LOCAL CURRENCIES SET ASIDE FOR COOLEY LOANS IN CALENDAR YEAR 1967 AGREEMENTS

Date 1966	Country	Local currency, total in thousands of dollars	Percentage Cooley loan	Cooley loan, total in thousands of dollars
Feb. 20	India	\$135,000	5	\$6,750
Mar. 3	Ghana	5,480	15	822
Mar. 13	Vietnam	47,400		
Mar. 17	Tunisia	10,388	10	1,039
Mar. 25	Korea	47,380	6	2,843
Apr. 6	Ghana	1,537	15	231
Apr. 20	Morocco	5,630	10	563
May 11	Pakistan	32,800	5	1,640
June 3	Sudan	11,450	5	572
June 24	India	87,800	5	4,390
July 26	Vietnam	2,200		
Aug. 3	Pakistan	85,500	5	4,275
Aug. 4	Israel	13,800	5	690
Sept. 12	India	67,500	5	3,375
Sept. 21	Vietnam	90,000		
Oct. 24	do	4,600		
Oct. 27	Morocco	12,470	10	1,247
Do.	Ghana	2,460	15	369
Nov. 6	Tunisia	10,380	10	1,038
Dec. 12	China	37,500		
Dec. 18	Ghana	743	15	111
Dec. 26	Pakistan	31,400	9	2,826
Dec. 30	India	168,600	5	8,430
Total		912,018	16.74	41,211

¹ Average.

Source: Individual agreements in "Treaties and Other International Acts Series."

Mr. MORAN. As the shift is made from local currency to dollar sales the availability of local currencies for these purposes will decline. Congress foresaw this and made alternative provisions under Section 107 of the Food for Peace Act. This authorizes dollar credit sales to private United States or foreign private entities for the purpose of providing local currency funds for a project in a friendly foreign country which will result in the establishment of facilities designed to improve the storage or marketing of agricultural commodities, or which will otherwise stimulate and expand private economic enterprise. Very limited use has been made of this provision.

Private enterprise could and should play a much greater role in improving the production, storage, processing and distribution of agriculture commodities in the developing countries. A much greater proportion of the local currencies arising from local currency sales agreements should be set aside for these Cooley Fund purposes and a more aggressive effort should be made to secure the participation of private enterprise with the particular talents it can bring to this endeavor under section 104(e) or 107.

CONCLUSION

In conclusion, Mr. Chairman, our association fully supports the proposal that Public Law 480 should be extended for a 3-year period. We do believe that certain changes should be made in the law and improvements in the administration to assure that the program may achieve the dual objectives of helping the developing countries improve their economic growth and meet their food requirements, while at the same time contributing to the solution of the U.S. balance of payments problem. We therefore recommend that the committee—

1. Amend section 103(b) to require that sales for convertible local currencies may only be made on terms not to exceed twenty years with a grace period of not more than two years.

2. Require a greater effort to secure initial payment in dollars or convertible local currencies on sales under title I of 5 percent or more with exceptions limited to clear emergency situations.

3. Require a much more aggressive shift from local currencies to dollars on convertible local currency sales. If a complete shift to dollar sales by the end of 1971 is to be achieved, the target for 1968 should be a minimum of 20 to 25 percent of title I sales.

4. Provide that priorities should be given in the use of local currency funds generated by local currency sales for the support of high priority self-help activities.

5. Require greater attention to the promotion of the participation of private enterprise through (a) greater allocations of local currency funds under section 104(e), and (b) a more aggressive use of section 107 transactions.

The CHAIRMAN. We are very much obliged to you. We think you have made an excellent statement. I wish that we had more time. I would like to ask if you are familiar with the suggestions that were made to this committee a day or two ago, that we require in these agreements that the host countries allow us to sell these currencies to American companies for the purpose of paying wages within that country by those doing business therein—that we sell the currency at any price that we wished to sell for. The effect of that, of course, would be to move these commodities in at a lower price. Are you familiar with that?

Mr. MORAN. I am familiar with the proposal, sir. I have one worry about it. I wonder if any country would be prepared to allow, in effect, a devaluation of its currency for a special transaction.

The CHAIRMAN. We wondered about the same thing.

Do you have an opinion on that?

Mr. MORAN. Frankly, I would be quite surprised to find any country prepared so to act, because it would mean either giving favoritism to

some given indigenous employer or, even worse from a political standpoint, to a foreign employer.

The CHAIRMAN. Thank you.

Are there any other questions of Dr. Moran?

If there are no questions, we are very much obliged to you, sir.

Mr. MORAN. Thank you.

The CHAIRMAN. We appreciate your statement.

Our next witness will be Mr. Robert N. Hampton, director of marketing and international trade of the National Council of Farmer Cooperatives.

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

**STATEMENT OF ROBERT N. HAMPTON, DIRECTOR OF MARKETING
AND INTERNATIONAL TRADE OF THE NATIONAL COUNCIL OF
FARMER COOPERATIVES**

Mr. HAMPTON. Mr. Chairman and members of the committee, I will omit part of my written statement and request that the complete statement be placed in the record.

The CHAIRMAN. At this point. This is something that I should have done a day or two ago when others made the same kind of request.

We are glad to have you summarize your statement and to print the entire statements, but I do not want to print two statements. I find that we are doing that, the witness comes up here and asks to include his complete statement in full—and then we are glad to do that, but at times he reads the complete statement, or more than part and more time is consumed than if he read his statement in full at the beginning.

We will print your statement as presented here.

Mr. HAMPTON. I am Robert N. Hampton, director of marketing and international trade of the National Council of Farmer Cooperatives. The national council is a nationwide federation of farm businesses engaged in the marketing of agricultural commodities or the purchasing of farm production supplies, or both, and of 34 State cooperative councils. Our membership includes about 100 regional cooperatives which in turn represent some 5,000 local cooperatives and about 3 million farmer memberships. The organizations making up the council are owned and controlled by farmers as the marketing and purchasing departments of their farm business operations.

The national council is in support of the extension of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, as proposed by H.R. 15693. This act has already made important contributions toward its major purposes of expanding international trade, including export markets for U.S. farm products, and of promoting a constructive U.S. foreign policy aimed at world progress and peace.

Our support for continued food assistance programs which would benefit U.S. agriculture and also be used to encourage world economic growth is expressed in the following current policy statements of the council:

Public Law 480.—The National Council of Farmer Cooperatives recommends—

1. That Public Law 480—Agricultural Trade Development and Assistance Act of 1954—be continued as a mechanism for aiding exports of farm commodities and that sufficient funds be provided to implement effectively the objectives of the act;

2. That expansion of Public Law 480 funds be based upon activities designed to expand long-run commercial sales and to aid sound economic growth of developing foreign countries. Many developing areas of the world today may be important future markets for the U.S. farm products.

Foreign economic aid.—The national council recognizes that many areas of the world have great need for economic development and for the encouragement of a free and competitive enterprise system which we believe will accelerate such development. We also recognize the desirability of both public and private assistance in alleviating suffering and in initial encouragement of productivity gains which will permit continuing economic growth through private capital investment.

We urge that in such efforts it be the policy of the United States to encourage maximum self-help within countries and that our major emphasis be in helping the people of such countries to assume increasing responsibility for their own economic progress.

To this end, we support a program of technical assistance designed to promote economic progress. We believe that the major effort of foreign aid programs should be directed toward this goal. Primary emphasis should be given to institutional as well as technological adaptation to existing conditions through development of cooperative and other appropriate private economic activities.

We urge that all U.S. agencies and farmer cooperative interests encourage development of cooperative activity abroad in every appropriate way, as a most desirable way of organizing and financing self-help programs. Maximum efforts should be made in exporting U.S. farmer cooperative know-how, and in some instances, investment capital to foster foreign cooperative development.

The direct increase in U.S. farm exports resulting from Public Law 480 programs, while important both to U.S. farm income and to international assistance efforts, has less long-term significance than other features such as self-help encouragement and market development activities. The requirement that effective self-help measures for increased agricultural output be a condition for Public Law 480 assistance is intended to encourage long-range world food output and healthy economic growth in underdeveloped nations. If this can be successfully implemented, the benefits can be substantial—for world progress and for expanded trade opportunities.

We strongly approve of the emphasis on requirements for self-help actions by recipient nations in order to be eligible for Public Law 480 assistance. This new thrust of the program in 1967–68 has already assisted greatly in focusing world attention on the higher priority needed for agricultural development in much of the world.

It is still early to judge results of self-help agreements launched only a little over a year ago. However, the requirement that at least 20 percent of Public Law 480 local currency funds be used for self-help is a sound one. We believe there are recent and encouraging signs in several Public Law 480 countries that more effective self-help measures are being taken—from livestock improvement programs in countries such

as Morocco to use of new crop varieties, irrigation programs, and strong family planning measures in Pakistan. Population control measures by the way, are so vital to world progress that we recommend their specific inclusion as one of the conditions of eligibility for Public Law 480 assistance, in section 109(a) of Public Law 480, as amended.

Cooperative action is also one of the most useful means of encouraging self-help, and is being promoted in most developing countries. It serves not only as an institution which encourages vital private incentives but also assists in many other ways which are critical to strong agricultural development—capital formation, educational programs, and the business functions of credit, distribution, and management. We recommend also that cooperative development be appropriately and specifically recognized in section 109(a), as the principle of cooperative importance is recognized by the Humphrey amendment of the Foreign Assistance Act. At this point, your permission, I would like to insert a very brief quote from comments made by Senator Humphrey on September 22, 1964, which I can read from the Congressional Record of that date. This is just a short statement of about four sentences.

May I include that?

The CHAIRMAN. Yes, you may.

Mr. HAMPTON (reading): "Cooperatives can be a source for developing new leadership, which is a welcome element when older institutions and authorities are being replaced by new structures and new loyalties. They are a strong factor in social and national cohesion. They bring people together for constructive purposes and break down isolation and factional hostilities that so often hamper development in new countries. What is especially significant, too, is that in the emerging countries cooperative development is a means of strengthening the private enterprise economy, and many of the emerging countries are aware of this. It is the simplest and most direct means for helping people to gain some positive economic advantages through their own efforts.

"Though we recognize that administration of the self-help requirement provisions of this act are difficult and extremely delicate issues in international relations, we urge that continuing efforts be made to insure that desirable self-help plans are actually carried out. Active and vigorous administration, plus frequent review of performance, are needed. More reliable means of measuring the impact of self-help measures on economic progress are also needed, and we encourage study of such need, by both congressional and administrative groups.

"Just a few comments on the market development programs encouraged by Public Law 480 funds. This is one of the best means devised for U.S. farm exporters to capitalize on economic growth and broadening markets throughout the world. We are informed that such activities as in-store retail promotions have increased sales of U.S. agricultural products by a typical ratio of about \$17 for each dollar expended, and that in trade show promotions this ratio is frequently much higher. Such increases in foreign sales volumes have not been limited to Public Law 480 export products, but have helped a much broader range of American produce. The benefits of these activities to U.S. farmers and to our balance of payments positions is apparent.

"We urge that these programs be continued and strengthened, particularly in view of increasing competition from other agricultural

exporting nations. We note from USDA statistics that such governments as Denmark, Australia, and Israel spend well over 1 percent of farm export values on promotion, compared to a figure of about one-quarter of 1 percent for the United States. These are based on Government plus quasi-Government and nonprofit trade organization expenditures.

"In summary, the National Council believes that the market development programs under Public Law 480 have contributed and will contribute greatly to stronger markets abroad for American farm products. We recommend that every effort be made to implement the objectives of the "economic growth through self-help" features of the act. Finally, we believe that stronger recognition should be given to the importance of cooperatives and to family planning measures as self-help criteria under Public Law 480.

"We appreciate the opportunity to express our views on this important legislation before this committee."

The CHAIRMAN. Thank you, Mr. Hampton. I notice that you did not make any comment relative to the possible use of this program as a means of strengthening the balance-of-payments situation.

Do you feel that there is any possibility in that respect?

Mr. HAMPTON. Yes, sir. We did comment on matters pertinent to the market development phase of Public Law 480. We believe that any strengthening of this market development program that results in expanding markets or expanded opportunities for U.S. farm exporters will definitely help our balance-of-payments position. Insofar as the overall program is concerned, I think the analysis of the balance-of-payments situation submitted by the previous witness is a very good one, and we would be inclined to support that position.

The CHAIRMAN. Do you think that there is any possibility that we could transfer more of this aid into purchasing power abroad, not necessarily in American dollars but in the ability to purchase our needs abroad and, therefore, to lessen our needs for dollars?

Mr. HAMPTON. We would like to see every effort made through administrative channels, with congressional encouragement, to make the maximum use of the provisions for such activities at the present time.

The CHAIRMAN. You think that congressional encouragement is enough? Do we have to have congressional authority?

Mr. HAMPTON. Sir, that is a very difficult question. I think that there is a great deal of leeway. I think that some of the present requirements of the act, if they could be implemented fully, would be substantial steps in that direction.

The CHAIRMAN. Thank you. Are there any other questions?

Mr. Gathings?

Mr. GATHINGS. I was greatly impressed with your views with respect to the success being made now by the use of title I funds for market promotion. You say that \$17 in exports of farm commodities to every \$1 spent has been a great aid in our balance-of-payments situation.

Mr. HAMPTON. It is a very impressive figure, Mr. Gathings. That particular figure that I used referred only to the in-store promotion phase of this program, which is not all but is a very substantial and important part of the program.

Mr. GATHINGS. Is there anything that this committee can do to emphasize the importance of the promotion program in the moving of various commodities into export channels?

Mr. HAMPTON. We certainly endorse and encourage any indication of the committee's interest and support for that program, either through specifically naming it or through a committee report—a recognition of the very clear benefits to the American agriculture and to the balance-of-payments situation.

Mr. GATHINGS. In 1966 we had about five or six witnesses who appeared, from specific commodity groups, on this very issue. You know about that?

Mr. HAMPTON. I think that was really an unfortunate situation. Those commodity groups did not really express the interest and appreciation which I know many of them do feel for the benefits of this program.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

If not, we thank you again, Mr. Hampton.

We will now be glad to hear from the Reverend Clyde N. Rogers, of the Ohio Council of Churches.

STATEMENT OF REV. CLYDE N. ROGERS, DIRECTOR OF THE TOWN AND COUNTRY DEPARTMENT OF THE OHIO COUNCIL OF CHURCHES

Reverend ROGERS. Mr. Chairman and members of the committee, I am Clyde N. Rogers, director of the Town and Country Department of the Ohio Council of Churches. The group I represent includes our own staff and our board, which is composed of clergymen from 17 denominations and 25 representatives of rural agencies. It has been my privilege to appear before this committee from time to time since 1954. When Public Law 480 was first enacted into law, I was the contact person between the Department of Agriculture and Church World Service-CROP when the first wheat and powdered milk were released to that agency.

We would express our gratitude to you and all other Members of both Houses of Congress who helped renew Public Law 480 in 1966, now commonly known as the food-for-freedom bill.

We believe that there is a strong, significant, and continuing role for the U.S. Government to (1) continue its work with individual developing nations of the world; (2) work with the appropriate United Nations agencies like the FAO and WHO; and (3) to help these voluntary agencies and private groups equipped to do so to increasingly serve as channels for self-help projects.

Because of the issue of separation of church and state, perhaps there should be established a "holding corporation" composed of outstanding citizens who would act as intermediaries between the U.S. Government and the non-Government groups for the purpose of handling cash, food, and projects to be supervised by those groups through approved channels.

We continue our strong support of the various titles of the present bill. There are two parts of the present bill to which we would call special attention. First is our great appreciation for the implementation of the population control section. We would advocate that this be greatly enlarged and strengthened. Every legitimate means should be used in family planning and population limitation. This is a major crisis of our time.

We would advocate that wherever possible nursing mothers be given information and help so as not to conceive during the period of lactation. They then will give their babies a more adequate start in life. Kwashiorkor is a major result of babies being removed from their mothers' breasts before they are old enough to eat other foods which are available in most countries.

There is one keen disappointment in the failure to enact one section of the present bill which is popularly known as the "Farmers Corps." We would suggest that it be called whatever name is thought best for its implementation. We respectfully request that this section be adjusted if necessary so as to put into action this part of the law. Appropriate agencies should be given the necessary funds and instructions to implement this program. We believe that this can be one of the most effective means of helping people to help themselves. Farmers know how to show other farmers ways to improve their methods of agricultural production.

In our evaluation of the law as it has been in the last 2 years, much still needs to be done as pointed out by the President's Science Advisory Committee which produced the book "The World Food Problem." We would recommend that this book be reprinted and used through various groups as a part of a massive educational program on the importance of this problem. Every thinking family should have a copy of this book.

We would call to your attention a new resolution adopted by the general board of the National Council of Churches of Christ in the U.S.A. on February 22, 1968. We endorse this statement as submitted to you by Church World Service. It is worthy of wide study and implementation.

Perhaps one of the greatest roles of the voluntary agencies, like Church World Service, has been the food-for-work projects. This type program should be developed to its fullest possible extent. New means should be discovered for the use of America's abundant food as wages in many ways.

Another very important facet is in the use of local currencies in the development of roads, manufacturing establishments, business enterprises, marketing facilities, educational institutions, health clinics, and many related fields. Cooperatives and credit unions should be developed widely.

Sound agriculture is basic to economic growth not only to the United States but in the developing nations as well. We are slowly learning that it is good business to help people help themselves.

The popularization of the various types of high protein supplements including soy products and fish powder, needs to be developed in the needy areas of the world. Funds should be made available as a part of the law for developing these programs.

As we have stated before this committee many times since 1954, the farmer has paid too much of the cost of our world food program. This

is not as it should be. The farmer should bear his part of the cost only as other segments of society do. All Americans need to recognize that food is our greatest natural resource. Abundant food is America's greatest blessing. In order to have enough food for ourselves and others there must always be a surplus. This is a strategic resource which should be available at all times.

As I proposed in March 1954—

There should be a strategic amount set aside of \$3 billion worth of food which could not be dumped on the world or domestic market to cut prices but would be used only to feed hungry people.

Experts in the field of agriculture should know the amounts and kinds of foods which should be set aside in harmony with today's needs. If we had a domestic shortage it could be brought back into the market to be used in our country. We must have adequate food as a national reserve. The farmer must have income from the sale of his products equal to other segments of our society. He must be protected in every way so that he can have his part of the national income.

We are grateful for the great amount of good which has been accomplished in the food-for-freedom bill. We feel that with strengthening, adaptation, and safeguards we have mentioned, this program has great possibilities toward achieving world peace in the future. We have only scratched the surface in helping people to meet their own needs. May we not let anything get in the way of accomplishing these purposes which are in harmony with the best of our traditions. The long hard road to peace will be reached only as hunger and ignorance are banished from the world. It is both good morality and good business to achieve these purposes.

The CHAIRMAN. Reverend Rogers, we are very much obliged to you for the statement. I want to express my special appreciation for your comment on the need to pay our farmers a reasonable return for what they contribute to the feeding of all of the world. I think that is essential. I do not think that we can feed the world unless we are able to give our farmers a fair return for doing it.

There is another problem that has been troubling this committee that I was hoping might in some way be helped in dealing with this legislation, and that is the balance-of-payments situation—the international balance-of-payments situation. We are all pretty well agreed that the United States needs to improve our balance-of-payments situation. You did not raise the question in your testimony, but do you feel that there is any opportunity here in any provision of Public Law 480 to improve our balance-of-payments situation?

Reverend ROGERS. I think that I would answer it this way: You will notice that I am an ordained minister, but I was trained at Cornell University in agriculture economics and rural sociology. I have tried to continue my economic understanding throughout these years.

To me, Public Law 480, as it has been written, will not weaken our balance of payments, but it will strengthen it, because, if used in proper ways to help people to help themselves, it will because it has been proven again and again that these people become good customers of ours. I could talk about 30 countries that we have helped to where they can buy agricultural products from us. It is to our advantage everytime that we help a nation to become a good customer of ours. I do

not know of any place where it has not been true. Japan is the best example. Mexico is another. We could go on and name one country after another. If you help them to get on their feet, they become good customers for agriculture products.

The CHAIRMAN. I think that we will all accept that as being true. I believe that we all agree that in the long run it is a helpful program, but we wonder if we could make it helpful in meeting our immediate needs in the balance-of-payments problem.

Reverend ROGERS. I feel that one of the places that a great deal can be done—and may I use the term carefully—that pressure could be put on—in getting those countries where they have currency stacked up, to start development programs in those countries, and by doing this, they, in turn, can begin to buy things from the United States. It is turning it around and putting it in the other direction.

India needs development. It needs all kinds of things. It will help us if we get the currency in India used for constructive purposes, and it will cause businesses be established that will help in our own economy.

The CHAIRMAN. It has been suggested during the course of these hearings that we might seek to negotiate agreements with countries whereby we could take the currencies that they pay us and sell them to Americans who would employ local labor in those countries. Do you think that there is any merit to that idea?

Reverend ROGERS. I think that there is merit to it so long as it is not sold on the market at cutrate prices. If the prices were cut, naturally, they would be in trouble. I think you have got to protect their currency as well as our currency. But to me it could be utilized in that way, and I would see it as being something very sound.

The CHAIRMAN. It is true our present Cooley loans provided exactly that, except without any reduction in the value of the currency.

Reverend ROGERS. Is not the problem really many times of stimulating things to happen that should happen?

The CHAIRMAN. Yes.

Reverend ROGERS. In other words, we have the tool in the loans—we have various other things in the law today, but it is getting them utilized to the fullest extent that is necessary. One I mentioned earlier. I know every member of the committee will agree with me, but to me the "Farmers Corps" idea is a good one, costing a very small amount of money. If we had some of our farmers in this, it would help. I think that in our own State of Ohio our farm organization offered to help select farmers to go to some of these countries. If they would go there they could help stimulate cooperative businesses that will, in turn, pay off to our own Nation. And in the long run, we are not going to do it unless it is good business for us and good business for the world. And this is good Christianity. I think the two fit together.

The CHAIRMAN. Of course, I am sure you know my opinion on that particular phase of it. I am the minority here on that. But I do not think that a farmer in Texas will achieve much in Afghanistan where he cannot talk to anybody.

Reverend ROGERS. I have been in many countries.

The CHAIRMAN. He cannot talk to anybody about practices and traditions of Afghanistan with which he is not familiar. I do not think he will be of great help to the people there, no matter how good a farmer he may be at home.

Reverend ROGERS. Let me say why I say this. I came out of the hills of Tennessee, originally. I am the youngest of a large family, where it took eight boys to operate a farm. I have a cousin who is operating our farm and three other farms today. I am old enough to know how we went through the process of handwork. I think the older farmers in America have a tremendous amount to contribute in many of these countries, such as showing the farmer how he can start with the short-handled hoe and get to a long-handled hoe. This is the practical part that I am talking about. It is helping people in a practical way to help themselves.

The CHAIRMAN. I think the impractical point of it is that you can no more talk to that man than you can talk to a cow out on his farm in Ohio. He has no means of communicating with the man in Afghanistan.

Reverend ROGERS. Having been in those countries a good many times, I find that there are a good many ways of helping and that there is somebody around to do the interpreting, even though he does not know the language.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. I want to commend Reverend Rogers for bringing to our attention the need to implement the farmer-to-farmer program which originated in the 1966 act from a bill sponsored by our friend from Kansas, Mr. Dole. He suggested that amendment. I believe that it has real promise and real merit. The farmers can be used in these various countries to great advantage. You send the man there who knows something about farming and who can go out on the farms with farmers and work with them. It would not be a question of having a cocktail in one hand at all. A man who gets down on the land and knows something about agriculture can be of help. And, as you have so well stated, you can teach them an awful lot in producing more food to aid their deficit food situation.

Thank you.

The CHAIRMAN. Is there anyone else?

If there are no further questions, we are very much obliged to you, Reverend Rogers.

Reverend ROGERS. Thank you.

The CHAIRMAN. We always appreciate your attendance. We are always glad to have you.

Our next witness is the Secretary of Agriculture, the Honorable Orville L. Freeman, who will be accompanied by Mr. William S. Gaud, Administrator, Agency for International Development, and Mr. George R. Jacobs, Acting Deputy Assistant Secretary of State for International Resources and Food Policy, Department of State.

We are delighted to have you with us, Mr. Secretary.

As you know, we are discussing the extension and possible modification of Public Law 480. We will be glad to have you give us any comments and suggestions that you care to in connection with the proposed legislation.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY HON. WILLIAM S. GAUD, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT; AND HON. GEORGE R. JACOBS, ACTING DEPUTY ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL RESOURCES AND FOOD POLICY

Secretary FREEMAN. Thank you very much, Mr. Chairman and members of the committee. I am privileged to be associated here, in appearing before this distinguished committee, with two of my colleagues from other departments of our Government, Mr. Gaud, who, you know, is the Administrator of the AID programs, and we coordinate very closely together, according to the directions of the committee, and with Mr. George R. Jacobs of the State Department, who, also, of course, is intimately involved in this.

I have a very short summary statement that I would like to make to the committee, and Mr. Gaud and Mr. Jacobs will supplement that, and then we will be ready to answer questions.

Mr. Chairman, members of the committee, there is an old Minnesota saying that a successful fisherman never goes home through the back alley. Therefore, I am pleased to be here—on the front street of our Nation—to talk about the success of Public Law 480 and to support its extension for 3 years in its present form.

When I first came to Washington, Public Law 480 was regarded as a very useful, practical, yet humanitarian food aid program under which we exported our surplus and helped to feed millions of our foreign friends.

I soon learned, however, that Public Law 480 could be much more than a surplus disposal program or a food aid program.

It became apparent that the program had great potential for helping friendly countries to improve their farms and villages and general well-being so that they could get off the dole and become self-supporting.

And it became apparent that the program had great potential for helping to expand foreign cash markets for our farm products, thereby bringing back dollars to help our farm income and our balance of payments.

The Congress, 2 years ago, took very wise and very effective action in revising the program so that these potentials could be realized. I think we have, in Public Law 480, as improved in 1966, and as it is constructed and administered at this time, a highly practical program that is both good for us and good for the countries associated with us. It is an excellent program for our times.

Representatives of the Department of State and of the Agency for International Development, who cooperate with the Department of Agriculture in carrying out Public Law 480, join with me in supporting its extension, and will present their own statements later.

As we consider this extension we recognize that every program of the Government must meet the test of whether it is yielding the results that the Congress intended. Public Law 480 meets the test admirably.

The objectives of Public Law 480 are clearly set forth in the preamble to the act, as follows:

"The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for U.S. agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States."

Let's take that preamble and use its elements as a check list. Let's see how well Public Law 480 is serving us.

First, what has been happening to international trade in agricultural products?

During these 1960's international trade in agricultural products has expanded steadily. Total world trade in agricultural products in fiscal 1960 was \$28.3 billion. In 1967 it was \$33.9 billion.

I do not know of any period in world history when the growth in international agricultural trade has been as great as that of these 1960's. A great share of this expansion has benefitted the United States.

The second part of our test of Public Law 480 has to do with developing and expanding export markets for U.S. agricultural commodities.

Here, again, there has been no period of American history in which we have done as well in our agricultural export marketing. Public Law 480 is among the important reasons.

Since fiscal year 1960, we have pushed total agricultural exports upward from \$4.5 billion to almost \$7 billion.

During that period, commercial exports—the part we sell for dollars—climbed from \$3.2 to \$5.2 billion, a gain of 62 percent. Shipments in this current fiscal year, both total and for dollars, are holding at high levels.

A very important reason for this spectacular gain is the market development program which is financed out of Public Law 480 foreign currencies.

I would like to comment on the significance of this export success story to our farm and city people, and to the Nation.

For American farmers, exports make up a big and expanding outlet for their production. Our farmers now export two-thirds of their annual milled rice production; over half of their wheat production; a third or more of their grain sorghums, soybeans, cotton, and tobacco; more than a fourth of their flaxseed, and nearly a fourth of their corn. And so on for a large number of other important commodities.

Last year, American farmers harvested 70 million acres for export—1 acre out of every 4.

In the absence of export outlets of this magnitude, the problems of acreage adjustment and the support of farm income in our domestic program would be infinitely more difficult.

The benefits of exports are shared by nonfarm people, as well. Hundreds of thousands of workers and businessmen across the country owe part of all of their incomes to the activities created by agricultural exporting—handling, transporting, warehousing, processing, packaging, freight forwarding, insuring, financing, and related activities. Exporting has, in itself, become a vast industry.

Then there is the matter of balance-of-payments benefits.

It is not generally known but it is a fact of which we should be very proud that American agriculture, through its exports earnings, is today doing more than any other segment of the Nation to hold back the critical outflow of dollars.

This contribution by American agriculture is relatively new. In the early 1960's there was an unfavorable balance in our commercial agricultural trade. Our country's expenditures for agricultural imports were larger than the earnings from agricultural export sales for dollars. At that time nonagricultural exports—machine tools, airplanes, chemicals, and hundreds of other industrial items—were carrying the load in our balance of trade.

In the past 2 years, however, this situation has been sharply reversed.

In 1966 our country's nonagricultural sector had a trade deficit of \$470 million; our agricultural sector had a net commercial trade plus of \$982 million.

In 1967, our nonagricultural trade had a deficit of \$300 million; our agricultural trade had a plus of \$585 million.

Nor is this the total picture. There also are certain financial benefits coming directly from the Public Law 480 program in the form of avoided dollar expenditures, and these have the same helpful effect on the balance-of-payments as dollar earnings. I am think specifically of the way our Government is able to use foreign currencies generated under Public Law 480 to pay various U.S. expenses abroad, including embassy costs, market development financing, and many others. In 1966 these dollar returns came to \$169 million. In 1967 the returns were \$331 million.

So I would emphasize again that our agricultural exports have become a tremendous national asset. It is our agriculture right now that is keeping our Nation's overall commercial trade balance on the favorable side. Public Law 480 is helping agriculture to make this contribution. And as Public Law 480 contributes to economic growth in recipient countries it builds future commercial markets for American products.

The third part of our test of Public Law 480 has to do with such economic development. Is the program mainly a crutch for the less-developed countries—or is it providing strength to help them stand on their own feet?

This is a critically important question—and it is one that I would answer by saying Public Law 480 is helping a large number of recipient countries to improve their self-reliance, especially as we operate under the new self-help requirements of the program.

A good test of economic development is a country's improving ability to buy the things it wants in the commercial marketplace. Already a number of countries that once received food aid have become important commercial customers.

The classic examples are, of course, Japan, Italy, and Spain. Under Public Law 480 and earlier aid programs, they received considerable assistance. Today they are among our very best cash customers.

Japan in 1956 imported \$370 million worth of American farm products, a third of it under Public Law 480. Today, Japan is buying a billion dollars worth of our farm products annually, all of it for dollars, none of it under Public Law 480.

Italy in 1956 imported \$114 million worth of our farm products, nearly a third under Public Law 480. Now Italy's purchases are approaching \$300 million a year, for dollars, none under Public Law 480.

Spain in 1956 imported \$125 million worth of our farm products, practically all under Public Law 480. Ten years later these imports had grown to \$200 million; practically all for dollars, none under Public Law 480.

Public Law 480 came to these countries at a critical time in their economic development. They were ready to carry out their own self-help programs but they needed some help in getting started. Once started, they have moved forward on their own momentum.

I would like to cite three more countries. These also are dramatic in their transition from aid to trade for the reason that they started with less and have had farther to go. They are Israel, Taiwan, and South Korea.

I will illustrate with their purchases of wheat.

In fiscal year 1962, Israel got 166,000 tons of U.S. wheat under Public Law 480 and bought 105,000 tons commercially. Last year Israel's wheat purchases under Public Law 480 were cut in half and her commercial buying was expanded by almost half.

Taiwan's wheat imports under Public Law 480 were 325,000 tons in 1962 and dropped to zero last year. At the same time, her commercial buying of wheat rose from 9,000 to 280,000 tons.

During the same period, South Korea's Public Law 480 wheat imports dropped from 337,000 to 331,000 tons, while her commercial imports of wheat went up more than 13 times, from 26,000 to 341,000 tons.

This matter of economic development is extremely important to our own export promotion efforts. It is only through economic development that a developing nation can improve the buying power of its citizens and thereby make the transition from aid to trade.

Our Economic Research Service has tested this relationship between economic development and consumer buying power, with some interesting results. Based on 1964 data, we found that countries with per capita income of more than \$600 a year—such as Japan and in Western Europe—bought commercially \$7.88 worth of U.S. farm products per person per year. Countries with a per capita income of \$200 to \$600—such as Venezuela and Brazil—bought \$4.18 worth per person. And countries having a per capita income of less than \$200—such as India, Pakistan, and some others in Asia, Latin America, and Africa—bought only 30 cents worth of our farm products per person.

There are 22 countries that now buy only 30 cents worth of our farm products per capita per year. They have a combined population of 835 million, four times the size of our own population. If each of these people last year had been able to spend just \$1 in buying our farm products—and believe me, these people would like to buy more from us if they could—we would have exported \$800 million additional farm products and our export total for the year would have come to more than \$7½ billion. If they had spent \$2 apiece more for the food and fiber products they would like to buy from us, our exports for the year would have approached \$8½ billion.

I have referred to the underdeveloped countries in the aggregate as a "sleeping giant" which, once aroused, will be the largest market in the history of the world. But this sleeping giant will awaken only when stimulated by the increased buying power that comes from economic development.

This is why our self-help requirements are of such importance.

An indispensable key to general economic development anywhere is agricultural development. I do not know of any really progressive country anywhere in the world that has a backward agriculture. The two go hand in hand—as a matter of fact, agricultural development must precede and serve as a base for industrial development.

We have strong evidence that this agricultural development is taking place, and some of this evidence appeared recently in our annual world agricultural situation report, which says:

The past year was one of record output for world agriculture and, most significantly, a record for the less developed world. Per capita agricultural output in the less developed countries (excluding Communist Asia) increased by about 5 to 6 per cent in 1967, a recovery to the level of 1964, or slightly above. In particular, most of the developing countries with large populations—India, Pakistan, and Brazil—made substantial gains in the production of grain and other foods.

I am not trying to say that Public Law 480 with its many features, including strengthened emphasis on self-help, was entirely responsible for this bumper world crop. In many areas, bad weather gave way to good weather and growing conditions were excellent. But I will say that a good crop in many countries was made even better because of improvements stimulated by the self-help emphasis that Congress wrote into Public Law 480 in 1966.

India's record harvest, for example, is due not only to good weather but to the much greater emphasis India is now giving to agriculture. India has provided incentive prices for its farmers and has doubled its use of improved, high-yielding seed and almost doubled its availability of fertilizer. In these, and many other hopeful developments in Indian agriculture, there is no question but what American assistance programs—including food, technical, and economic aid—have played an important role in stimulation and support.

The fourth, and last, part of the Public Law 480 preamble on which I would like to comment is the program's importance in promoting U.S. foreign policy.

President Johnson, in his foreign aid message of February 8, spoke of "the great truth upon which all our foreign aid programs are founded.

"Twenty years ago," said the President, "America resolved to lead the world against the destructive power of man's oldest enemies. We declared war on the hunger, the ignorance, the disease, and the hopelessness which breed violence in human affairs.

"We knew then that the job would take many years. We knew then that many trials and disappointments would test our will.

"But we also knew that, in the long run, a single ray of hope—a school, a hybrid seed, a vaccination—can do more to build the peace and guard Americans from harm than guns and bombs."

It is hard to measure on an input-output scale what Public Law 480, with its food aid and development assistance, has done to promote our Nation's foreign policy. But I would like to turn this around and ask,

What would have been the negative effect if we had denied to struggling nations these things we have made available?

What if we had remained aloof during their years of need?

What if we had held back the thousands of shiploads of food that have kept millions of hungry people alive?

What if we had not, through Public Law 480, generated the many millions of dollars worth of local currencies which have built dams and schools in countries sorely needing them?

And what if these funds had never been available to strike the spark of life and provide much of the financing in our own export development programs?

What if, in our companion assistance programs, we had told people around the world that we would not share the secrets of our own agricultural success? That we would not consult with them on how to set up a research station? Or agricultural college? Or fertilizer factory? Or irrigate their lands?

But instead we have provided them these things. We have shared to a degree that is unprecedented in human history. We have been providing them, within our abilities, those rays of hope which more than anything else help to build the peace and help to guard America.

And, within our abilities, we must continue to do so.

Mr. Chairman and members of this committee, I think Public Law 480 is doing a magnificent job for our Nation and for our friends abroad.

I fully support the extension of the present law for 3 years and I earnestly hope that it will be approved in the near future by this committee and by the Congress.

The CHAIRMAN. Thank you very much, Mr. Secretary. We are very glad to have your summary of the achievements of this program.

Are there any questions of the Secretary?

Mr. Gathings?

Mr. GATHINGS. I feel that you have given us some information that has been lacking in other statements in a number of ways. You have shown here the benefits that have been derived in recent years and in early years, since we have had Public Law 480.

We had a real fine statement presented here this morning by Mr. Moran, junior vice president of International Economic Policy Association. He made some splendid recommendations. And among those, he talked about the so-called Cooley provision which was written into Public Law 480 some 8 years ago. Do you concur with his views in that respect, that more Public Law 480 title I currencies could be used in the furtherance of Cooley loans?

Secretary FREEMAN. Yes, sir. I think that the Cooley loan provisions provide very important and useful funds for investment by the private sector of our economy. It is true that in some countries that resource is beginning to dry up, as we are now moving toward dollar credit sales rather than sales for soft currencies. We face a problem in that regard—and I think it is one that we need to adjust ourselves to so that those funds can be adequate.

Mr. GATHINGS. Do you not think it would be well, Mr. Secretary, to spell it out in 1, 2, 3 order—uses that are to be made of these currencies that are stacking up very high in various parts of the world, so that it would aid us in alleviating our balance-of-payments problem?

Secretary FREEMAN. I know, speaking for myself, that I would welcome any guidance from the committee in that respect. I am not sure precisely how much of it should be in the law and how much in the legislative history. There is currently considerable discretion as well as very sharp limitations in the use of these currencies. We are trying to make effective use of them, but in terms of the availability of Cooley loan funds, you are right, that in some countries we need to replenish amounts available.

Mr. GATHINGS. Do you think that some of these funds could be used in implementation of the farmer-to-farmer provision that was written in, in 1966?

Secretary FREEMAN. Cooley loans are for a specific purpose. Other parts of the law authorize the sending of trained American agriculturists to these countries, and the use of available local currencies for that purpose.

Mr. GATHINGS. This morning, just before you came in, our chairman, who had not concurred in this amendment that was approved in 1966, said that we run into a language barrier. Do you think that could be remedied?

Secretary FREEMAN. You do run into a language barrier. There is also a problem that when you discuss a farmer-to-farmer relationship, you must have a careful selectivity and careful training. And certainly there is the language problem as well, but that does not mean those difficulties cannot be overcome. I think that if careful training and utilization is made, that this program would be practical. On the other hand, we ought not to expect too much of it, nor too rapidly, because you cannot send just anyone who might be a good American farmer into the middle of India and expect him to perform adequately. We have learned that the hard way, by experience, that you need to have trained people.

You also have the problem that most countries—and I will defer to Mr. Gaud on this in a moment—are somewhat hesitant about our sending a lot of people to do this. They usually prefer that we help them to train their own people who then are able to act more effectively than someone from outside of the culture, to accomplish the same purpose. But recognizing those handicaps and those problems, I think that these farmer-to-farmer corps people have a possibility, and I hope that in the future we will at least try it on a pilot basis and see what kind of results we get.

Mr. GATHINGS. Thank you, Mr. Secretary. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Teague?

Mr. TEAGUE of California. Earlier in the week we had here a Republican gala which was launched Tuesday night, and this was a gala week, because the Secretary and I found ourselves in agreement on two important issues which made it an unusual week. I find myself now in complete agreement with you. And this is something, because we do not agree every week, much less twice. This is a great occasion, therefore.

I would like to ask you whether you feel any changes should be made in Public Law 480. I think we all know the benefits of Public Law 480. I think that all of us practically agree it ought to be extended.

Do you contend that it should not be altered or modified in any way?

Secretary FREEMAN. First, let me give my expression of appreciation to the Congressman, particularly on a very difficult and tough issue. I hesitate to say that any piece of legislation is perfect and cannot be improved, but I do feel that Public Law 480 is working satisfactorily and I am not recommending any changes at this time.

Mr. TEAGUE of California. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. Goodling?

Mr. GOODLING. I think this does bear directly on Public Law 480.

You say that our exports of farm products have been increasing. How do you account for the steady decline in the farmers' income? Unless the farmer is going to make a profit on what he grows, he will not have anything to ship under Public Law 480.

Secretary FREEMAN. First, in the last year there has been a drop in net profits on farms and it was caused by the perennial problem of the American farmer, and that is overproduction. We are able to produce, and for the foreseeable future will be able to produce substantially more food and fiber than we will be able to use, either here or, in my judgment, under any foreseeable expansion under Public Law 480. That being the case, we have only one alternative, and that is to adjust our production and at the same time take every possible measure to expand the demand in foreign markets. We are still going to have, and will have for the foreseeable future, overproduction. To try to adjust that is a very difficult thing to do, as you are well aware. No one can predict the weather. There are sharp changes in volumes of production, and what we are trying to learn is how to more skillfully operate the machinery we have so we can tailor supply to demand and have a working balance, which we can bring about a fair return to the farmer.

So, I would only say that the drop that you refer to in net income—and, incidentally, net income per farm, even so, is about 50 percent higher than it was in 1960—was the result of action for which I am responsible, and that was increasing production, putting more acres into production in 1967. The decision made at the time was because we were in a very short supply position. After I made that decision there was a change in the weather, particularly around the world, and a bumper crop was produced worldwide, with the net result that a threatened short-supply position became very quickly a long-supply position with an adverse effect on prices. But I would close this very long answer to your question by saying that we need to continue our exports, but I cannot see our exports, concessional or commercial, in the foreseeable future being enough so that we can prevent sharply lower farm prices unless we succeed in cutting back our own production.

Mr. GOODLING. You were here some months ago when we spoke of control of rodents. A man testified this week, giving higher figures than I had used. I told you at that time that 10 or 12 percent of all of the food in India was being consumed by rodents. He gave us information on this question. This witness used a 20-percent figure.

Are we doing anything about rodent control programs in India?

Mr. FREEMAN. If I may, I would like to ask Mr. Gaud to answer

that question, because there is such a program within the agency that is being carried forward in India. I think he would have more information on that than I would.

Mr. GAUD. Mr. Goodling, this is a very serious problem, manifestly. The figures, I think, are pretty hard to judge. I do not think that anyone really knows, in India or in any other underdeveloped country, how much is being eaten by rodents.

The Indian Government is working on this. We have a section working with them. We are doing some research through the Department of the Interior Wildlife Bureau in an effort to get at this problem.

The most productive possibility that anybody has thought of is to try to figure out some way for feeding rodents, rats, not poison but something which would render them sterile. This is one, of course, that we have to eliminate the rodent population in that way.

Mr. GOODLING. This testimony came from the director of AID in India. He made the statement that they had fields of wheat just riddled with rats.

Mr. GAUD. I would not dispute that. I would be perfectly willing to accept that. There is no question about that. The loss in that way is true in any other underdeveloped country.

Mr. GOODLING. How much are we doing in self-help, Mr. Secretary? I am thinking of sending technical people. My own university—four of my friends are there right now, and are supposed to be there for a 2-year period.

Secretary FREEMAN. May I answer part of that question, and, again, defer to Mr. Gaud for a further answer, because he is carrying forward assistance and technical assistance programs in most of the less-developed countries.

The self-help provision itself, as Congress mandated it in the last act, requires that we tie adequate effort or responsible effort by the receiving country to our making food available. And this we are doing. Every agreement that has resulted in a Public Law 480 also has been accompanied by an understanding as to what that country would do to strengthen its own agriculture. This is developed jointly by AID and by Agriculture, and we work very closely and cooperatively on it.

We keep informed as to progress in the given country. We do not sign these agreements until we are satisfied that the country in question is making a responsible effort to help itself.

Mr. GOODLING. Are they accepting our information?

Secretary FREEMAN. They are. Of course, a lot of these agreements have been signed quite recently. It is difficult to get the precise results. I referred to the case of India. I know something about it intimately. There is no question but what India has taken very tough steps. She is spending a great deal of her foreign exchange, which is very short, for fertilizer, and the use of fertilizer in India has almost doubled, and over one-half of that is imported.

India spends—I am just estimating—a couple hundred million dollars of very precious and very scarce foreign exchange to buy fertilizer. That was not the case just a few years back. It has been a part of self-help requirements that we started asking for even before we amended the law.

Mr. GOODLING. I have heard the chairman of this committee say over and over again that the Indians are still producing a sizable amount of cotton instead of food.

Secretary FREEMAN. They are producing a lot of cotton, but they are putting more land into production for other things. They are producing a lot of grain. As a matter of fact, the problem in India right now is that they are going to have such a big crop that they are going to have very heavy pressure on prices. They are worried about meeting their commitments to the Indian producers which was that they would get an incentive price. They have a food corporation something like our Commodity Credit Corporation. We were instrumental in getting them to establish it. They made the commitment that they would hold the prices up to incentive level. The Government will go in and buy just as we do in our program, but they are worried about being able to meet it simply because of the massive crop. I talked with the Indian Minister of Agriculture the other day, and he told me that it was his judgment—and he made the statement publicly, so that I am not disclosing anything—it was his judgment that the official estimate of 95 million tons is short, and that it might be closer to 100 million tons, and that they are really scratching for storage space. They are very worried about prices, because they recognize if there should be a turn-down in price, it will have an adverse effect on production. So, they are really performing in that respect and are getting the greatest crop in their history.

Mr. GOODLING. Just one more question.

Are we doing anything to break down the superstitions they have had for years and years? I'm thinking of sacred cows and sacred rodents.

Secretary FREEMAN. I can defer to Mr. Gaud on that, I think. We are, but we are doing it quietly, because if we do it noisily, we are apt to do more harm than good.

Mr. GAUD. It is pretty hard for outsiders to break down a religious belief in any country, it seems to me. We certainly have talked repeatedly, and steadily, and constantly to the Indian Government about this problem, and it is more serious in some states than it is in others. I think there is some movement on this in India, but it will be extremely slow. This is a deep-rooted belief that they have.

Mr. GOODLING. I do not object to feeding hungry people, but I do object to feeding sacred cows which have no useful purpose—and to feeding rodents.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. This whole subject of Public Law 480 is a rather bewildering mixture of charity and business. You might say a mixture of altruism and self-interest. Part of it is sold and part of it is given away and some is sold under various terms and some, it seems to me, is really a gift. I just wondered if you could give some explanation that would help me understand the logic behind selling consumable food to be paid for in 40 years with a 10-year grace period. Which is this? Is this business or charity?

Secretary FREEMAN. As you said, this program is both. I would say that it is charity, because it is going to meet the needs of hungry people who, otherwise, might starve.

I would say it is business, because those hungry people in many instances are building irrigation ditches, digging wells, carrying forward activities that will result in their economic growth, and, as I point out in my statement, a growing market for our own exports.

Mr. O'NEAL. Do we really expect to be paid in this 40-year period?

Secretary FREEMAN. Yes, sir. In my judgment, yes. And not everyone agrees with me. There is a better chance to get paid on this than on a soft-currency sale.

Mr. O'NEAL. You do not think we are kidding ourselves on these extremely long-term sales? Do you disagree with those that suggest that we limit it to 20 years?

Secretary FREEMAN. I feel that in a number of instances, where a lot of these countries are meeting very, very heavy debt repayment schedules already, that it would not be very realistic. In many cases, they would not take it, anyway, under those circumstances.

Mr. O'NEAL. As we look back in retrospect from 1958 to 1928, it would then be pretty tough for many to pay a grocery bill that old.

Secretary FREEMAN. I am sure that you would pay it.

[Laughter.]

Mr. GAUD. As you know, Mr. O'Neal, I am sure that the practice of using these terms, as taken over from what we were doing with our development loans in the AID program, that we have a choice, as you indicate at the outset, between making the stuff available on a grant basis which we, in effect, did with food for a long time, or getting payment for it. It seems to me that if we are interested in self-help—if you exact performance from these countries—if we want to make them increase their agricultural production and to start doing more things for themselves, we will have to shift away from the grant theory and start charging them dollars for this food.

The next question is: How much will the traffic bear?

How much of a debt burden can they assume?

And on this the experience of the other aid countries is very interesting, because today Great Britain and Canada and one or two other countries have moved to the point where they are making development loans on a non-interest-bearing basis, and making them for 30 and 40 years. We make our loans at about 2.5 percent.

The International Development Association, which is the World Bank, makes them at three-fourths of 1 percent.

The theory is that if you impose too heavy a debt burden on these countries, why, sooner or later you are going to go bust. And so that this long-term loan with a grace period is a kind of a compromise. You get more out of them than if you give it to them on a grant basis, and you make them more eager to become self-supporting, because you are putting some kind of a load on them, and yet at the same time you cannot put too much of a load on them, because you will be defeating your own purpose.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Mr. Secretary, you seem to put a great deal more emphasis on the achievements of the self-help aspect of this program than some of the other witnesses.

This is relatively new, of course, is it not?

Secretary FREEMAN. Yes, it is.

Mr. MAYNE. It started when, in 1966?

Secretary FREEMAN. It was written into the law in 1966, but we are doing it in terms of trying to get people to do things that we thought they should before that.

Mr. MAYNE. Have you had called to your attention the testimony of Dr. Paddock who testified here yesterday?

Secretary FREEMAN. No, I have not.

Mr. MAYNE. I am sure you are familiar with his work?

Secretary FREEMAN. I have read the book, yes.

Mr. MAYNE. In his testimony yesterday, in giving credit for the food supply in deficit areas last year, he said, and I quote:

Certainly no one will say that the self-help aspect of this bill has had an impact on the current statistics.

As I understand your testimony this morning, somebody has now done just that, and that is, the Secretary of Agriculture.

Secretary FREEMAN. Let me refer you to what I said. I think I said, specifically, that it was too early. I am not trying to say publicly that Public Law 480 with its many features is entirely responsible. I point out that bad weather did give way to good weather, but I said that a good crop in many countries was made even better, because of improvements stimulated by self-help.

And I will stand on that statement.

Mr. MAYNE. You think then it is not too early to point to really substantial increases in production as the result of the self-help aspect?

Secretary FREEMAN. I would answer "No," that it is not too early. I think, for example, some sensational returns are being had from the new wheat seed and the new rice seed that is accomplishing a transfer in usage and application worldwide that is the greatest in history, and we may very well—no one can be sure—we may very well be at the beginning of a very significant increase in agricultural productivity worldwide. I say that with caution and some reservation, but I think that there are some signs that would indicate that some very striking progress in some of these countries may very well be taking place. Of course, that is not because of self-help provisions exclusively, the passing of a law in 1966. We have been assisting agricultural development in countries like India and Turkey for nearly 20 years. We have had people in their colleges. We have had technicians there. We have been giving them training. We have been exporting know-how for a long, long time.

The Mexican wheat seed started its development over 20 years ago, under the auspices of the Rockefeller Foundation in this instance. The new rice seeds were developed only within the last 6 years. Both of them are giving very exciting results. But they would not be getting results if there was not a higher level of adaptability and know-how and some infrastructure that had been built: The availability of water that would not otherwise be available and some marketing and some extension and some education. And so we are now seeing another exciting application of new and advanced techniques in areas and by people that some years back we would not have thought possible. I merely say that there is a reason for cautious optimism.

Mr. MAYNE. Could you give us some idea of how this improvement in seed has increased the crops this last year?

Secretary FREEMAN. Well, I would say that in the area where it has been used, which is now somewhere in the neighborhood of 10 mil-

lion acres of wheat in India—I will check that figure and give it more accurately—that the yields will be doubled because of the seed. In some places, why, it is tripled and quadrupled.

Mr. MAYNE. The 10 million acres are in India alone?

Secretary FREEMAN. In India alone, in applying the new wheat seed.

Mr. MAYNE. Thank you.

I have one question of Mr. Gaud, also.

Is it true, as was stated by one of the witnesses here, that the Agency for International Development is cutting back its agricultural programs by 25 percent?

Mr. GAUD. No, sir.

Mr. MAYNE. What is the fact on that situation?

Mr. GAUD. For the fiscal year 1969, the budget request that we now have before the Congress, we would propose, if we got the total of about \$2½ billion that we have asked for, we would propose to devote \$800 million of that, one-third, to the direct support of agriculture. This would be in the form of loans for fertilizer, loans to build fertilizer plants, funds for research, funds for technical assistance, and the like. This is an increase—I have forgotten the exact figures—of substantially in excess of what we are doing this year, and, again, this year we are spending more than we did the last year. So that it is anything but true that we are reducing our support for agricultural development.

Mr. MAYNE. Thank you.

Mr. GAUD. If I may, I would like to say a word more about this business of self-help which you raised with the Secretary.

One of the big things about this present Public Law 480 is its self-help provision of last year. Mr. Paddock says that he does not feel that there has been time enough to see the fruit of the self-help provision in India or anywhere else. The fact of the matter is that the Department of Agriculture and AID have been cooperating and using self-help provisions for a matter of several years now. If you will take India, for example, putting together the type of aid that we do, what Public Law 480 says, we have introduced a good many policy changes in India, that is, with respect to the allocation of resources to agriculture as against industry, with respect to permitting the erection and construction of fertilizer plants by private investors rather than leaving it only to the Government in half a dozen different ways. There have been policy changes in India. Their price policy has changed.

In Pakistan, again, there has been changes in pricing policies, in the importation of raw materials, fertilizers, the distribution and production of fertilizers, which has been put in the private sector where it used to be in the public sector.

We have had similar changes that we have worked out together, similar conditions which we have worked out together in Brazil, in Indonesia, and in a number of other countries. This is something that is real. This is not, so far as these conditions go, something that is going to happen; this is something that has been done.

Mr. MAYNE. Thank you. That is all, Mr. Chairman.

Mr. O'NEAL. May I have another go?

The CHAIRMAN. Yes, sir.

Mr. O'NEAL. Mr. Secretary, I was just wondering to what extent, relative to the whole question, would we use the 40-year loan proposition?

Would you just comment in general terms or give us some idea about where and how often would we do that?

Secretary FREEMAN. I need a little help.

How many have we made?

Let me check the figures.

The progression is to make harder loans.

(The information follows:)

PUBLIC LAW 480 PROGRAM COSTS, FISCAL YEARS 1965-69

[In millions of U.S. dollars]

Fiscal year	Local currency	Convertible local currency credit	Dollar credit	Private trade entities
1965.....	1,508.8	-----	207.25	3.75
1966.....	1,237.8	-----	232.9	41.7
1967.....	1,067.7	26.0	190.7	5.0
1968 (estimate).....	740.0	200.0	302.0	34.0
1969 (estimate).....	522.4	378.0	408.5	40.0

Mr. O'NEAL. Are the figures available that you can submit which would show when and where you have made the 40-year loans?

Secretary FREEMAN. Yes, they are.

Mr. O'NEAL. I would be very much interested in that, Mr. Secretary.

Secretary FREEMAN. We will supply that.

(The information follows:)

Countries (including date of agreement) with which convertible local currency credit agreements with payments up to 40 years have been signed under PL 480, Title I during calendar year 1967:

[Dollar amounts in millions]

Country	Market value	Date signed
India.....	\$24.2	June 24, 1967
Afghanistan.....	4.34	July 19, 1967
Pakistan.....	23.4	Aug. 3, 1967
India.....	19.0	Sept. 12, 1967
Indonesia.....	19.5	Sept. 15, 1967
Guinea.....	¹ 3.42	Oct. 18, 1967
Indonesia.....	1.3	Nov. 1, 1967
Indonesia.....	1.55	Nov. 22, 1967
Pakistan.....	8.7	Dec. 26, 1967
India.....	46.9	Dec. 30, 1967

¹ 31-year payment.

Mr. O'NEAL. I want to go back—and I want to thank you for the complement you paid me about the grocery bill. I was really thinking about General De Gaulle when I asked the question. [Laughter.]

Secretary FREEMAN. So long as you mention that, we made the mistake of wiping out a very substantial debt, running into some billions of dollars, that France owed us at one time. We did so with the idea that we were never going to be repaid, and we wish we had not.

Mr. O'NEAL. As I understand it, 17 other nations owe debts to us. This whole thing puzzles me. I want to know why we would create a fiction here that it is business when it is really charity on these 40-year loans.

Secretary FREEMAN. I do not think it is. There is at least a possibility. We have, in our judgment, nothing to lose and everything to gain.

Mr. O'NEAL. Thank you.

That is all, Mr. Chairman.

Secretary FREEMAN. We can give for the record the places where the 40-year loans were made.

Mr. GAUD. These started in 1967, according to the new law.

Afghanistan, we made a loan of \$4 million on these terms.

Guinea, about \$3½ million.

India, \$90 million.

Indonesia, about \$22½ million.

Pakistan, \$32 million.

This totals about \$152 million.

Mr. O'NEAL. This is all?

Mr. GAUD. There have been one or two in 1968.

I do not have those yet. I have not got those figures here, I mean.

Mr. ABERNETHY. Will you yield?

Mr. O'NEAL. Yes.

Mr. ABERNETHY. I would like to have the percentage of sales for cash and local currencies?

Mr. GAUD. Let me take 1957, to give you a picture.

Local currency sales in 1967 totaled \$912 million.

The figures that I read before, \$152 million dollar sales; dollar credits, \$139 million.

Now, this last year we were operating on the basis, you will recollect, that the law required us to shift from the local currency sales to the dollar sales over a period of 5 years. Last year, we were operating in India and Pakistan, the two biggest customers, on a 20-percent basis. This year it goes to 40 percent; next year to 60 percent, and so forth. So that the proportion of sales made on this basis would increase each year until we finally reach the point where, in countries which cannot afford the dollars, the very hard terms, it will all be on the local currency basis. On that basis, it was made to India. The total there was \$458 million of sales to India, local currencies, and \$90 million on the other basis.

Mr. ABERNETHY. How about the sales to India—are the additional sales anticipated in the forthcoming fiscal year to be on this basis?

Mr. GAUD. For India?

Mr. ABERNETHY. Yes.

Mr. GAUD. Yes; it is expected that it will be 40 percent rather than 20 percent.

Mr. ABERNETHY. As well as to the other countries?

Mr. GAUD. As well as to Pakistan and some of these other countries such as Afghanistan and Indonesia and Guinea.

Mr. ABERNETHY. Do I understand you correctly that percentage-wise there will be more of these 40-year sales?

Mr. GAUD. More of the 40-year sales and less of the local currency sales.

Mr. ABERNETHY. We are moving toward the credit side.

Mr. GAUD. We moving in these countries like India and Pakistan—we are moving from sales for local currencies to sales for dollars, although on easy terms. In Latin America and in Korea and in a number of other countries, of course, the sales are all for dollars on much harder terms.

Mr. ABERNETHY. Of course, we have built in those countries now stockpiles of currencies that are far beyond the capacity to use them.

Mr. GAUD. That is correct.

Mr. ABERNETHY. What are we going to do with them?

Mr. GAUD. That is one of the reasons, of course, why we are shifting to sales for dollars. What we will do with those currencies is more than I can tell you. We did have a proposal a year or two ago to create in India a joint United States-Indian Foundation which would be financed with a very large grant of Indian rupees which the United States accumulated as the result of Public Law 480 sales. That transaction was discussed, I think, with this committee at the time. It was discussed with the Indian Government. It has never gone through.

To the extent that we possibly can, we use these local currencies to pay the expenses of our missions over there; we manage to convert a certain number of them; we manage to use them for research. We use them in our family planning programs; we use them in a good many of our programs, but we do not have a prayer of a chance of coming anywhere near using the Indian and Pakistan rupees that we have.

Mr. ABERNETHY. Will you yield for one more question?

Mr. O'NEAL. Yes, sir.

Mr. ABERNETHY. Are any of these sales being made on harder terms rather than the full 40-year rates?

Mr. GAUD. Yes, sir—you mean on harder terms?

Mr. ABERNETHY. Yes.

Mr. GAUD. Yes—not to India or Pakistan, but to a great many other countries.

Mr. ABERNETHY. But to India and Pakistan they are all on a 40-year basis?

Mr. GAUD. Yes, sir.

Mr. ABERNETHY. The law does provide that it may be less?

Mr. GAUD. Yes.

Mr. ABERNETHY. But you do not contemplate making them any less?

Mr. GAUD. No, sir; based on our estimate of their foreign exchange capabilities.

Mr. ABERNETHY. Thank you.

Mr. O'NEAL. I have one more question.

The CHAIRMAN. Wait just a minute.

The Chair is not going to get into the situation that we have been in two or three times, of having any member take charge and yield the time around. With all due respect I want to do that.

When somebody wants to ask a question, ask the Chair for recognition rather than asking somebody to yield.

I have no objection to asking a member to yield for questions, to clear up an immediate question, but this is an impossible situation otherwise.

I want Mr. O'Neal to put his question, but I thought he had yielded the floor to Mr. Abernethy.

You go on and finish your questioning.

Mr. O'NEAL. I have forgotten what the question was. [Laughter.]

The CHAIRMAN. Mr. Teague.

Mr. TEAGUE of California. I would appreciate it, Mr. Secretary, if you would furnish for the record a brief summary of the present status of the terms under section 107—private trade.

Secretary FREEMAN. We will be happy to do that, Mr. Teague. (The information follows:)

1966: Dec. 31... July 1, 1966 through Dec. 31, 1966: Spain (RACOSA)*					
			Total for this period Total for calendar year 1966		
June 22	Korea (Purina)		1,750	225	1,975
June 30	China (TDC) extends tallow supply period ¹ through calendar year 1967 on agreement Nov. 13, 1965.	4%	41,778	3,665	45,443
1967:	Jan. 1, 1967 through June 30, 1967: Fiscal year 1968-70.				
			Dec. 31, 1969	3 (1973)	145 1,520
			Total for this period		1,375 145
			Total fiscal year 1967		1,375 1,520
			Total to date.		43,153 46,963
1967:	July 1, 1967 through Dec. 31, 1967: Chile (Fontaine) Nov. 2 Guatemala (PARA) Nov. 30 Iran (Paris) amends agreement of Feb. 24, 1966	5% 5% 5%	13,155 1,109 96	530	13,685 1,109 —
			Dec. 31, 1969	15 (1985)	530 13,685
			Dec. 31, 1968	10 (1978)	1,109 1,109
			Dec. 31, 1969	10 (1978)	96 —
			Total for this period		14,360 434
			Total for calendar year 1967		15,235 579
			Total to date.		57,513 4,244 61,757

¹ Interest on shipments in each calendar year computed from date of last shipment in that year.

² This is the percentage of the total amount of commodity financing for delivery contracts.

² This is the percentage of the total amount of commodity financing for deliveries in each calendar year which must be paid on delivery.

³ Intervals run from date of last shipment in each calendar year.

⁴ Principal usually repaid in approximately equal annual instalments. Figure in parenthesis indicates approximate maturity date.

⁵ Interest rate of 4½ percent annually applies to commodities delivered in calendar years 1999

^s Interest rate of $4\frac{1}{4}$ percent annually applies to commodities delivered in calendar year 1966. Interest rates of $4\frac{1}{2}$ percent annually applies to commodities delivered in calendar year 1967.

* Amended Hernandez Agreement Nov. 4, 1965, to change name to Refineria Aceitera Canaria, (BACSA)

The CHAIRMAN. Are there any other questions?

It is almost now 12 o'clock. We are extremely obliged to you and your staff and your associates for coming here. We are going to close the public hearings on this question. The Chair does feel that probably we have not had as many suggestions as we would like to have had in the way of changes in this legislation. Most everybody has told us about how good the program has been and most everyone wants to continue it. I think the committee all agree that we want to continue this legislation, but if there are those who feel that they want to suggest changes in this legislation, let me say that it is fast approaching the time when you will be too late with your suggestions.

We welcome suggestions and statements for insertion in the record.

The committee will be in executive session during this next week. Anyone who wants to make further elaboration on their statement may do so, or may submit additional statements, that is, during the coming week, at which time the testimony will be closed.

I did not understand that Mr. Gaud wanted to make a separate statement.

Mr. GAUD. No, Mr. Chairman. I would appreciate it if the statement that I have prepared could be made a part of the record.

The CHAIRMAN. It will be made a part of the record at this point. (The prepared statement submitted by Mr. Gaud follows:)

STATEMENT OF HON. WILLIAM S. GAUD, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and Members of the Committee, the Agency for International Development strongly seconds Secretary Freeman's endorsement of P.L. 480 and the bill before this Committee which provides for its extension.

As the Secretary has explained, P.L. 480 has served the nation well in expanding international trade, developing and expanding export markets for American agricultural commodities, promoting the foreign policy interests of the United States, combating hunger and malnutrition, and encouraging economic development, particularly agricultural development, in the developing countries. I would like to expand upon the last point—the way in which P.L. 480, along with the dollar loans and the technical assistance provided by A.I.D., has helped these countries develop their economies and grow more food.

A.I.D. works closely with the Department of Agriculture to assure that P.L. 480 assistance and A.I.D.'s dollar programs under the Foreign Assistance Act complement one another so as to achieve maximum development results.

In 1966 the Congress wisely added a number of self-help provisions to P.L. 480. Before entering into any agreement with a developing country for the sale of P.L. 480 agricultural commodities, the President must consider the extent to which that country is helping itself to increase per capita food production and improve storage and distribution facilities for agricultural commodities. We welcomed this emphasis upon self help. As President Johnson has pointed out on numerous occasions, our aid program is "rooted in the principle of self help."

The P.L. 480 self help provisions have been very useful. A December 1967 P.L. 480 agreement with India calls for a number of self help measures by the Indian Government: the establishment of buffer food stocks; government purchase of all foodgrains offered for sale at announced procurement prices; increased irrigation activities; and increased use of pesticides, fertilizers and high yield seeds. In Indonesia, where fertilizer prices heretofore discouraged extensive use of fertilizers, a P.L. 480 agreement now provides that the Indonesian Government will take steps to establish a more favorable spread between fertilizer prices and rice prices.

P.L. 480 commodities feed hungry and malnourished people in countries which cannot now grow enough food or purchase it commercially. And P.L. 480 local currency finances projects which will help these countries develop their economies and grow more food. The President's Science Advisory Committee Panel on the World Food Supply warns that the developing countries' food needs will at least double in the next twenty years. These countries must not only grow

much more food; to avoid even graver food problems after 1985 they must also adopt effective family planning programs now. A.I.D. gives highest priority to both jobs, food and population.

The primary responsibility for developing population programs, as well as programs to increase agricultural production, rests squarely with the developing countries themselves. Today, some 26 countries representing over a billion people have official family planning policies. A number of them are making substantial progress in meeting their population problems. A.I.D. is doing all it can to help.

Our policy is to provide assistance, when asked, for voluntary family planning programs. We do not force a family planning program, or any particular type of family planning program, on any country. And we will not assist any program unless it leaves each individual free to decide whether he or she will participate in any family planning activity. We want no part of either international or individual coercion. We do not make family planning a condition of aid.

Our assistance for population work has increased sharply in the last few years. Our dollar programs amounted to \$2.5 million in FY 1965; this fiscal year we have already obligated or committed over \$23 million for population projects. We will fund additional projects before the end of the fiscal year and hope to reach the \$35 million figure contained in Title X of the Foreign Assistance Act. Our population staff in A.I.D. has increased from 8 people in 1966 to 52 people today.

P.L. 480 local currency helps us greatly in both our food and our population work. In the Philippines, for example, P.L. 480 local currency supports irrigation work and a program of supervised farm credit. In Ceylon, P.L. 480 proceeds help to build vital farm-to-market roads; in Morocco, improved forage and seed production; in Bolivia, rural water supply systems. Nearly \$2 million in P.L. 480 rupees will finance a number of important nutrition projects in India, including the development of low-cost protein foods.

Population work requires substantial amounts of local currency. Indeed, the vast preponderance of family planning program costs are local currency costs—salaries for family planning workers, advertising costs, training costs, and the like. Here, too, P.L. 480 plays an important role. This fiscal year we have already programmed over \$10 million worth of P.L. 480 local currency for population work, principally in India and Pakistan. In India, we have obligated \$4 million worth of rupees for population work, including a very large family planning advertising campaign, perhaps the largest advertising campaign ever mounted in India. In Pakistan we expect to obligate about \$5.3 million in rupees for family planning projects.

P.L. 480 local currency, in the form of Cooley loans, benefits both private American business and the developing countries. Cooley loans are made to American firms and their foreign affiliates and to foreign companies investing in enterprises which will increase American exports of agricultural products. They greatly assist our efforts to encourage private American investment and the growth of strong private sectors in the developing countries. They also help developing countries to attract the American investment needed for development.

Since the Cooley loan program was transferred from the Export-Import Bank to A.I.D. in January 1, 1962, we have made 242 Cooley loans, aggregating \$258.7 million in local currency. Cooley funds totaling \$88 million in local currency are currently available in 15 countries.

Cooley loans support some important development projects. Cooley loans totaling \$21.8 million in rupees were made for the Coromandel fertilizer project, India's largest fertilizer plant. This \$70 million project, owned by two American companies and an Indian company, was dedicated last December. It is now producing some of the fertilizer which India vitally needs to increase her food production.

A Cooley loan of \$168,000 in rupees was made to a Pakistani subsidiary of the G. D. Searle Company, of Chicago. The Searle plant in Pakistan will make and market a number of drug products including two contraceptives which will be used in Pakistan's family planning program.

During 1967, A.I.D. made Cooley loans totaling \$29.5 million in 13 countries for a variety of projects including the construction of a fertilizer plant in Pakistan, seed processing and research in India, and animal and poultry feeds in Chile.

The equivalent of \$41.2 million was earmarked for Cooley loans by the local currency commodity sales agreements signed during calendar year 1967—4.5% of the total. We will assure that additional funds are reserved for these private

enterprise loans in future sales agreements which call for payment in local currency.

Another important private development program is conducted under Title II of P.L. 480 by the American voluntary agencies. Nearly half a billion dollars of commodities move abroad under Title II, providing relief from famine and malnutrition and the means for food for work and other economic development programs. This food is doing its job. It is reaching the needy. It is staying off disease and building strong bodies. Governments and people receiving Title II food know its source and are grateful to the people of the United States.

Most Title II food is moved abroad through the American voluntary agencies. I cannot pay enough tribute to the work of these organizations. They provide the scarce yet indispensable management and organization, through their own staffs and by mobilizing local resources, which makes Title II so effective.

A special Title II \$25 million emergency food program last year helped India avert famine in its eastern states. The voluntary agencies performed magnificently. They distributed daily meals of Title II food to more than eight million Indian children. The food for work activities under the regular Title II program, administered by CARE, Catholic Relief Services and Church World Service/Lutheran World Relief, fed another 400,000 people. Their performance received recognition and praise all the way to the top of the Indian Government. It also stimulated new respect for private development activity. In a recent pamphlet called "Beyond the Famine", the Prime Minister's Press Secretary, Mr. G. B. Verghese, said this:

"The special role that voluntary bodies can play in development is as pathfinders and pace-setters. So many of the problems facing the country are novel and complex and cannot be tackled satisfactorily by conventional methods. There is need for experimentation and unorthodox approaches. Once established, it would be easier for the Government to take over or adapt these procedures. They (the voluntary agencies) can . . . destroy the ancient myths of what can and cannot be done in India."

Title II food has brought school lunches to millions of Indian children for the first time. Title II food for work projects have included schools, community buildings and roads. At Bala Mandir, Title II food supplied through a voluntary agency provides abandoned children with an adequate diet. CARE, in cooperation with the local groups, uses Title II commodities to feed some nine million Indian school children every day.

In the Philippines, a major irrigation system was rehabilitated and expanded under a food for work Title II program run by the Catholic Relief Services. 31 miles of canals and irrigation ditches were widened. Some 452,000 pounds of Title II commodities partially paid for the labor. As a result, rice production in the area will more than double, through increased yields and the double cropping which the new irrigation system allows.

In Korea nearly one half million acres of land have been reclaimed and redistributed under a Title II food for work program. In Kyonggi Province, national and local government and local farmers are engaged in a rural development project using Title II food as the principal form of payment for labor. A barren countryside has been transformed into a garden spot through flood control, rice paddy rearrangement, terracing, irrigation and reforestation.

In Ghana, under the self-help portion of a food agreement, farm-to-market roads are being built so that farmers can reach consumers and get good prices for their products. Construction workers are paid in part with Title II food.

In Peru, a successful reforestation program has been carried out under Title II. Since 1963, some eight million eucalyptus trees have been planted on over 11,000 acres of land by workers partially paid with Title II commodities. The trees will be harvested and will provide work and income for the participating communities. The Peruvian Government has requested that the program be expanded, to cover over 45,000 acres during the next two years.

Since 1962 Title II commodities have assisted a nationwide school feeding program in Brazil. During the 1967 school term, about 4 million Brazilian students received school lunches prepared with Title II foodgrains and vegetable oils. Title II also supports a successful adult literacy program in Brazil. Approximately 217,000 pupils and 33,000 volunteer teachers and helpers receive Title II food.

I might also mention our recent work to enrich and fortify Title II food, under Section 203. High protein corn-soya-milk blend (CSM) was successfully used last year for the first time. To date, we have provided 400 million pounds of CSM for Title II programs, primarily in India and Brazil. We are also pro-

viding a wheat-soya blend. We expect in the near future to enrich Title II grains with fish protein concentrate, to boost protein content. These high protein food blends provide immediate improvement to children's diets and also pave the way for acceptance of the new fortified foods which are now being developed under the Agency's nutrition research and development program.

In summary, Mr. Chairman, P.L. 480 has performed nobly in promoting economic development in general and in stimulating agricultural development in particular. The Cooley loan program and the Title II voluntary agency and food-for-work programs have proved extremely valuable in supporting private development work, by American business, by the American voluntary agencies and by local institutions.

We urge the extension of this vital legislation.

Secretary FREEMAN. Mr. Jacobs also has a prepared statement. May he submit that for the record?

The CHAIRMAN. Without objection, Mr. Jacobs' statement will be made a part of the record at this point.

(The prepared statement submitted by Mr. Jacobs follows:)

STATEMENT BY GEORGE R. JACOBS, ACTING DEPUTY ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL RESOURCES AND FOOD POLICY

Mr. Chairman, I appreciate the opportunity to be here this morning to discuss the renewal of PL 480. I want to say at the outset that this legislation, the Agricultural Trade Development and Assistance Act of 1954, as amended by the Food for Peace Act of 1966, is undoubtedly among the major legislative initiatives of the past two decades.

The Administration has asked the Congress to renew this authority to make sales and to carry out donation programs without change until December 31, 1971. Secretary Freeman and Mr. Gaud have amply covered the main reasons for this request.

I would like to make only one additional point:

As the Committee no doubt is aware, the President has asked the Senate to advise and consent to U.S. participation in the International Grains Agreement. This Agreement includes a Food Aid Convention providing for 4½ million tons annually of food aid supplied by developed nations. It runs for three years. We need, therefore, sustained authority to maintain our participation in this Agreement and to support this major breakthrough in multilateral burden sharing.

Mr. Chairman, in the life of Public Law 480 the food situations of many free world developing nations have changed—many have improved, and the immediate character of several U.S. problems related to this Act has shifted. Secretary Freeman has outlined very well for the Committee the many domestic policies served by this legislation. But with all these domestic benefits, PL 480 is still in important degree one of the greatest expressions of the compassion and humanity of the American people. First and foremost, PL 480 serves the basic desire of the American people to relieve hunger and malnutrition and to assist in the development of friendly countries.

While it is essentially a program of assistance, *PL 480 makes important contributions to our balance of payments*. In Calendar Year 1967 the U.S. realized in balance of payments gains or savings about \$325 million from local currency uses alone. In the years since 1954 the U.S. has realized altogether \$3.6 billion in such gains or savings through local currency expenditures in lieu of dollars.

There are other balance of payments advantages. Since the addition of dollar credit authority to the Act agreements amounting to \$993 million have been signed providing for payment in dollars. Over the life of PL 480, \$2.6 billion in U.S. agricultural products have been sold through barter programs. In addition, initial or down payments have been obtained in 27 agreements equivalent to \$28 million in dollars or convertible currencies.

It is difficult, Mr. Chairman, to sum all of these balance of payments assets up in a single number. Roughly speaking, since passage of the Act in 1954, the United States has sold and donated a total of \$18 billion worth of commodities under PL 480. Of this amount, balance of payments assets generated for us in the forms indicated add up to a sizeable share, perhaps as much as 40% of the value of all commodities supplied.

In the foreign policy sphere, PL 480 contributes in many ways to our basic objectives. It, of course, advances self-help in many areas of agricultural development and it encourages and assists voluntary family planning programs; it bolsters the advancement of free economic institutions and aids in the development of markets for U.S. agricultural products; it encourages adoption of liberal trade and investment policies; and helps free nations develop and move toward more stable and more advanced societies.

We do not achieve any of this necessarily in any one agreement or sequence of agreements with PL 480 recipients. Basic habits, customs and institutions cannot be changed overnight. We advance here, as everywhere, by successive steps aimed at answers that lie in the interests of both sides. We need continuity of influence and persuasion to do this.

But very encouraging developments are occurring. The dimensions of the food problem and the basic, self-help nature of its solutions are now widely perceived. It is widely understood by poorer food deficit countries that food aid can only fill the gap between present hunger and early future ability to feed themselves better from home production.

I understand that John Lewis, Director of the U.S. AID Mission in India, spoke of many encouraging developments in the fields of family planning, fertilizer use and other technical advances in agriculture during his appearance before the Committee on Wednesday.

As you will recall, Mr. Chairman, the Administration made a major effort last year to improve food aid burden sharing to deal at that time with India's food needs generated by a second year of drought. Main free world developed countries joined us, and with the cooperation of the IBRD we were able, within the AID India Consortium group, to muster on behalf of India roughly the equivalent of 2.5 million tons of food in resources for food purchases, debt relief and other support of agricultural development.

While that effort was being pursued on an emergency basis, a major new multilateral burden sharing program was being negotiated in Geneva and Rome—the Food Aid Convention of the International Grains Agreement of 1967. Many developed nations of the free world have joined in this multilateral commitment to provide 4½ million tons of grain or the cash equivalent of grains in each of the next three years, starting July 1. This agreement goes far, Mr. Chairman, toward making operative truth of what the President often has stated—the problem of hunger in the world is the common problem of all men everywhere.

Many developing nations obviously need further help for some time to achieve the development goals we and they are seeking for them. The Act of 1966, contemplating essential areas of self-help in agriculture and of family planning, tailored the law to meet new needs not envisioned in the original Act. Our major surpluses are gone, but the need for food as a vital interim feature of our developmental assistance goes on. The Act of 1966 also covers this need by providing for production planning to include expected needs for commodities under PL 480.

What appears in prospect in coming years? Secretary Freeman has outlined activities in agricultural development self-help. Mr. Gaud has highlighted advances in family planning.

The effects of progress in these areas will show up over time in heightened development, in more stable economies, in healthier societies, and in rising demand for U.S. exports including agricultural commodities.

We look, with advances on these fronts, to a reduction of the unrest in the world and eventually to a *reduction in demands on United States resources* that are related to the persistence of unrest.

But with these things in prospect, we must keep up the effort. We must keep up essential food supplies to hungry people in the degree needed to keep up and to increase human drive and energy. We must keep up nutritional programs aimed at making fully productive men and women of today's children—children whose development should not be blunted by malnutrition and hunger, if there are any actions that we and any other developed nations can take to prevent it. We should keep available the tremendous influence that PL 480 provides to achieve the advances that underlie the crucial field of agricultural development.

We must sustain our effort if we are to win the War on Hunger and provide the assurance of adequate food for all. Food enough to go around is at the foundation of peaceful societies. It is at the heart, therefore, of the War on Hunger and of our national interest.

Secretary FREEMAN. Not for inclusion in the record, but for the interest of the committee, we have a rather interesting pamphlet which points out research programs around the world financed by currencies in those countries which have an immediate import to the domestic agriculture as well. I will have them distributed.

The CHAIRMAN. Very well. We thank you for that.

(The following telegrams, letters and statements were also submitted to the committee:)

NEW YORK, N.Y., February 27, 1968.

Hon. W. R. POAGE,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.:*

In view continued and steadily increasing need for sharing American abundance of food and fiber with people of less developed countries this agency wholeheartedly endorses and urges extension Public Law 480.

Bishop EDWARD E. SWANSTROM,
Executive Director Catholic Relief Services.

MARCH 8, 1968.

Re H.R. 15693 to extend Public Law 480 now before your committee.

Hon. ROBERT POAGE,
Chairman, House Committee on Agriculture:

At industry meetings in Chicago March 6 and 7, the Committee on Agriculture and executive committee, Millers' National Federation reviewed the important accomplishments of this legislation over many years and fully support its extension for another three years.

The significant increases in exports of agricultural commodities, useful market development programs, the encouragement of economic development and improved nutrition with new fortified products have been very beneficial not only for the United States but all countries involved. We also urge your committee to recommend more emphasis in new self-help programs for developing effective food distribution which is urgently needed in most developing countries.

C. L. MAST, Jr., *President.*

STATEMENT OF THE INTERNATIONAL TRADE DEVELOPMENT BOARD AND THE INSTITUTE
OF AMERICAN POULTRY INDUSTRIES

The United States poultry and egg industry's International Trade Development Board and the Institute of American Poultry Industries supports legislation which would extend the Agricultural Trade Development and Assistance Act of 1954 for three years.

The poultry industry through these organizations cooperates with the Foreign Agricultural Service of the United States Department of Agriculture in carrying out market development programs for poultry and eggs in foreign countries.

The Agricultural Trade Development and Assistance Act, as amended, which is often referred to as P.L. 480, has been a major factor in the development of a growing export market for United States agricultural products. Agricultural exports not only serve to strengthen farm prices but they are making a major contribution to the nation's balance of payments. Agriculture represents a basic and national asset which is replenishable. The development and maintenance of export markets for our agricultural products is vital to the well being of our national economy.

This Committee and the Committee on Agriculture of the House of Representatives recognized this fact when P.L. 480 was enacted. Both Committees have given continued recognition to the importance of, and need for, continuing and strengthening the agricultural market development programs conducted through, and in cooperation with, agricultural trade groups with almost every amendment to, or extension of, P.L. 480. These programs are the direct outgrowth of the leadership of the committees on agriculture of the House and Senate, and of the legislation initiated by them.

Because of the great emphasis which is placed on the Food for Peace aspects of this legislation and the need for supplying food to the less developed areas of the world, the importance of market development and the benefits of market development activities to American agriculture and to our national economy are frequently overlooked. We, therefore, wish to commend this Committee for its farsighted leadership and urge that it continue to emphasize the importance of market development programs.

We would like to add at this point as a part of our statement, and as a part of this record, the report which was made to the Subcommittee on Foreign Agricultural Operations of the House Committee on Agriculture by the Honorable Clifford R. Hope, a former Chairman of that Committee. The report was made by Mr. Hope on behalf of the trade groups with whom the Foreign Agricultural Service cooperates in carrying out market development programs. This report contains a brief review of the legislative history and congressional policy with respect to the market development activities under P.L. 480 and points out the lasting benefits being derived by American agriculture from the use of comparatively small amounts of foreign currencies which are being generated under P.L. 480 sales. The record of the meeting at which this report was made was not printed and we believe that the report will indicate the need for the extension of this important legislation.

STATEMENT OF CLIFFORD R. HOPE, BEFORE THE SUBCOMMITTEE ON FOREIGN AGRICULTURAL OPERATIONS OF THE HOUSE COMMITTEE ON AGRICULTURE, ON BEHALF OF CERTAIN COMMODITY ORGANIZATIONS WHICH COOPERATE WITH THE U.S. DEPARTMENT OF AGRICULTURE IN MARKET DEVELOPMENT ABROAD UNDER THE PROVISIONS OF THE AGRICULTURAL TRADE DEVELOPMENT ACT OF 1954, AS AMENDED.

Mr. Chairman; my name is Clifford R. Hope. I am submitting this statement on behalf of a number of cooperators in the foreign market development program which has been set up by the U.S. Department of Agriculture under the provisions of the Agricultural Trade Development and Assistance Act of 1954, usually referred to as Public Law 480 of the 83rd Congress.

I want to begin by expressing to this Subcommittee the very deep appreciation of the cooperating organizations and myself for affording us the opportunity to make this report. We fully recognize that it was the leadership and foresight of the Committees on Agriculture of the House and Senate which brought these market development programs into being. This leadership was provided at the time of the enactment of Public Law 480 and has continued through all amendments thereto and extensions thereof including the extension last year.

The importance and scope of the Market Development program to American agriculture is illustrated to some extent by the many important agricultural commodities which are represented by cooperating organizations. Geographically all parts of the nation and almost all commodities are represented.

Expanded markets for American agricultural products is the one primary and lasting benefit which was sought to be achieved for United States agricultural producers through Public Law 480.

Following World War II American agriculture, as a result of the spur of massive technical advances and increased production which had been brought about to meet war demands, was faced with increased supplies and dwindling export outlets. Markets which had been supplied through war time measures and aid programs ceased to be markets as these programs were curtailed. Practically all countries were experiencing a lack of foreign exchange. The Committee recognized this and sought to remedy the dollar gap by authorizing the sale of agricultural commodities which were in excess to our needs for foreign currencies. It also recognized that supplying agricultural commodities for foreign currencies to overcome a lack of foreign exchange was only a part of the picture.

To meet this situation the Committee chose to blaze a new trail, to plow virgin soil and pioneer a new method for strengthening foreign markets. Under P.L. 480 the Committee proposed not only to authorize sales of surplus agricultural commodities for foreign currency to friendly countries experiencing balance of payments problems but it provided authority and policy direction to carry out a program of foreign market development designed to develop and expand markets for these products. The legislative history in connection with the passage, renewal and extensions of the Act indicates that there were three things uppermost in the minds of the Congress in passing the legislation; namely (1) endeavor to make it possible to sell our accumulated supplies of agricultural

products, (2) maintain, expand and develop markets for current production of these products and (3) preserve the functions and identity of our private trade.

The events of the past twelve years have clearly demonstrated the wisdom and foresight of the Congress.

P.L. 480 went into effect early in July 1954. For the fiscal year ending on June 30 of that year, our total exports of agricultural commodities were \$2,936,000,000. Of this amount, \$2,331,000,000 was commercial sales for dollars. For the fiscal year ending June 30, 1967, it is estimated that our agricultural exports will reach a total of \$6.8 billion. Of this amount, it is estimated that \$5.3 billion will be commercial sales for dollars. In the past thirteen years, our total agricultural exports increased by 132% and our commercial sales for dollars by 130%. During this period, agricultural exports have increased at a faster rate than nonagricultural exports. They now are about a fourth of the total U.S. exports. They have covered a wide range of commodities and every state in the Union has benefited from them. In fact, about half of the U.S. agricultural exports today consists of products that were insignificant in international trade before World War II. Most of the increase in agricultural exports has been to the hard currency areas. It goes without saying that the foreign exchange received for these exports has contributed materially in helping with our balance of payment problem. These exports also serve to strengthen our domestic economy and have been a major factor in effectuating our foreign policy and in assisting our efforts to support peace and freedom.

Trade expansion in the billions of dollars does not just happen by itself. While the spectacular expansion which has taken place in agricultural exports is due to many factors, certainly one of the most important is the cooperator market development program set up under the authority of P.L. 480. We believe that as time goes on, this program will assume even greater importance. This is not only because of the increase in world productivity and buying power but also for the reason that much has been learned by both Foreign Agricultural Service and the cooperators in the program. In the beginning, there were few guideposts to go by. It was very much a matter of trial and error. There were not as many unknown factors involved as there are in putting a man on the moon, but there were a lot of problems which could only be solved by experience.

But this is no time for any of us to rest on our laurels. While this country has gone far and done much in expanding trade in agricultural products, our competitors have not been idle. Competition is increasing and we can expect it to continue to do so, as other countries expand their production and intensify their marketing activities. These countries are also using trade barriers, subsidies, and other devices to take our markets away.

There is increasing evidence that the world trend toward freer trade is slowing down and may actually be receding. The time is here when we, who are interested in expanded agricultural trade, whether in government or out, must redouble our efforts, increase our cooperation, and take such action as will assure equitable and competitive market access for our products. Otherwise, our hopes and dreams of expanding world trade on a basis of comparative advantage and the efficient allocation of resources will disappear as subtly as the smile of a Cheshire cat. We must not permit our markets abroad to be destroyed or to be taken away because of our unwillingness to fight and compete for them.

With the Committee's permission I would like to take a few moments to review the legislative history and congressional policy with respect to market development activities under the provisions of Public Law 480, and especially the use of foreign currencies for that purpose. Although the intent of Congress on this question was quite clear, there appears to have been considerable reluctance in the Executive branch of the government, especially in the Bureau of the Budget, to recognize and accept the clear and definite direction of the Congress on this matter.

At the outset it was completely discretionary with the Executive branch to determine the amount of foreign currency generated under the sales of agricultural commodities under Public Law 480 which would be made available for agricultural market development. In order to make certain that ample foreign currencies would be made available for market development purposes, the Congress, in 1959, found it necessary to write into law an amendment to section 104(a) which directed that the equivalent of not less than 5 percent of the total foreign currencies received from the sale under Title I be set aside and made available for the purposes of market development.

The report of the House Committee on Agriculture on the 1959 amendments contains the following explanation: "Despite the clear intent of Congress, adequate foreign currencies are not being made available in the principal commercial areas for this important work. To insure that sufficient amounts of these foreign currencies are used for market development as authorized under section 104(a) of Title I, this section directs that the equivalent of not less than 5 percent of the total sales under Title I be made available for this purpose. This will eliminate the delays and difficulties which have been involved in the process of allocation by making this minimum amount available to the Secretary of Agriculture for this purpose."

However, the Bureau of the Budget, in submitting its recommendations to Congress on the agricultural market development program, has often disregarded the provisions which gave priority to the use of foreign currencies for market development and earmarked 5 percent of the total sales proceeds and loan repayments for that purpose. Actually, in its recommendation for fiscal year 1960, the Bureau suggested language which would have prevented the use of any foreign currency for market development in dollar market countries. Fortunately, Congress rejected the proposal.

In the budget which the Bureau sent to Congress for fiscal 1961-62, it went even further in its efforts to thwart the intent of Congress in the use of foreign currency for foreign market development. On this occasion, the Bureau apparently chose to forget that there was such a law as P.L. 480 and that market development programs had been carried out under its provisions for several years. It entirely ignored the law and set up an item calling for an appropriation in dollars for "market development activities abroad" under Title VI of the Agricultural Act of 1954. This title concerns agricultural attaches and its principal purpose is to transfer them to the Department of Agriculture. It has no connection whatsoever with market development under P.L. 480. The object of the Bureau in using this subterfuge was apparently to get away from the plain language of P.L. 480, as well as its legislative history, which pointed out specifically that foreign currencies were to be set aside and used for market development purposes. Again, Congress did not accept the viewpoint of the Bureau, and the appropriation was made in accordance with the provisions of P.L. 480.

Later, the provision that 5 percent of the foreign currency derived from sales under Title I be set aside for market development purposes became ineffective mainly because the currencies which were set aside consisted of currencies which could not be used in countries which offered the greatest market development potential.

The Committee on Agriculture again manifested its leadership to make certain that foreign currencies of the type and kind needed would be available for agricultural market development purposes. Public Law 480 was amended in 1961 to require that Title I sales agreements contain a provision that not less than 2 percent of the proceeds of future P.L. 480 sales and loan agreements be freely convertible into the type and kind of currencies needed for market development. The action of the Congress in specifically directing that not less than 5 percent of the foreign currencies received under Title I sales be set aside for market development, and the latter amendment providing for the conversion of not less than 2 percent of the total sales proceeds, clearly indicates the deep importance which this Committee attached to market development. As a result of these amendments it has been possible for the government to finance the cooperator market development programs almost entirely from foreign currencies.

Members of the Committee will recall that prior to the enactment of Public Law 480, the Congress had repeatedly given to the Department of Agriculture, in numerous pieces of agricultural legislation, both the authority and funds to help expand foreign markets for United States agricultural products. While undoubtedly much good work was accomplished under this authority, in the main such efforts consisted largely in gathering statistical information and making of reports, with the exception of limited export payments to increase competitiveness of certain United States agricultural products. It was not until the establishment of the cooperative market development program under Public Law 480 that promotional and sales drives were actually organized and used in foreign market areas. I am certain that the function of the cooperators and their importance to the success of the market development program is not fully understood, even by many people in government, particularly those who have only come on the scene in recent years.

The key to the success which has been achieved in market development under Public Law 480, in my judgment, has been the enlistment of the assistance of the producers and private trade through non-profit industry-wide commodity organizations to actually carry out market development activities. This fact distinguishes market development under Public Law 480 from all other market development efforts carried out under prior legislation. Both the Committee and the Department of Agriculture recognized that the Department, as an agency of Government, was not in a position to establish the relationships and understanding which are essential to the expansion of international trade. It was also clearly understood that activities to expand the private trade could best be carried out through the private trade. Consequently, in the very beginning, the Department properly invited the non-profit trade organizations to enter into cooperative contracts or arrangements to develop and carry out market development programs best suited to the needs of the particular commodity involved.

In the market development program government, producers and industry work together as a team in a cooperative effort to achieve a national objective. The Government's principle role should be to obtain fair and equitable access to foreign markets. It also provides the foreign currencies necessary to carry out the program abroad together with policy guidance and supervision to see that it is carried out in accordance with the provisions of Public Law 480, as amended. The cooperating producer and trade organizations bring into play commodity knowledge and expertise, sales drive, trade judgment, and serve to stimulate sales efforts of the United States industry.

Although the Congress did not require these non-profit producer and trade organizations to pay any of the costs of the programs which could be met with the foreign currencies made available under the law, in order for them to cooperate and assist in the market development program, they do contribute greatly to the success of the programs and their assistance results in substantial costs to them. These non-profit organizations as such do not benefit from the programs. All foreign currencies received for market development go into approved program operations. Their sole objective is to expand markets for agricultural commodities. The benefits of their efforts flow to domestic producers and to the national economy generally, just as do the efforts of the employees of the Department of Agriculture.

The non-profit trade organizations have not only indicated their willingness to cooperate, but they have met the necessary dollar costs in the United States for overall supervision and backstopping. By enlisting the interest, support, supervision, expertise, and assistance of these groups, the Department has been able not only to provide the framework for successful market development activities, which the government itself could not have provided, but through their activities they brought into being, as I have said, the strong interest, sales drive and energies of the private traders essential to the development of private trade.

The cooperators have provided valuable assistance without charge or cost to the government in the carrying out of market development programs and are capable of developing trade interest and relationships with foreign buyers which government officials cannot do. Cooperators have also saved the Department thousands of dollars which would otherwise have been incurred and have made it unnecessary to increase government personnel which would have been employed by the government if it were to attempt to perform any of the functions performed by the cooperators.

More than that, the cooperation of industry and government for the benefit of U.S. agriculture cannot be measured in monetary terms. It is a program that is unique in government history.

We believe that this new concept of forging together the unique capacities of non-profit private trade groups with those of Government in agricultural market development a real success story. It has proved to be a practical and effective way to carry out market development.

We realize that there have been some criticisms of Public Law 480 market development programs. This was bound to be the case. After all, this has been an entirely new field both for the Government and for most of the cooperators. There have been misunderstandings and some mistakes. But, the cooperators along with the Department have worked, and are working constantly to improve these programs.

We believe, that they are soundly based and that there is better understanding of our market opportunities, our objectives, and of our problems than ever before. In all likelihood, there will be mistakes in the future. But complete

inaction is the only way to insure against mistakes and that would be the greatest mistake of all.

There have also been criticisms by persons who are uninformed as to program or policy objectives or who may have no concern or responsibility for effectuating the objectives of the legislation. This is another reason why we desire to keep this Committee fully informed because it is the Committee which has the responsibility for policy and on whose guidance we wish to rely.

The job of Government and non-profit cooperating trade groups is to open up markets, stimulate demand, provide market opportunities, stimulate sales drives, and increase exports of United States agricultural products. They have to ream out the pipelines and remove the barriers to trade so that trade can flow. These are jobs which neither the Government nor the cooperators can do alone, but working together they can accomplish much. Cooperator organizations vary widely in their size, natural resources, and method of operation. No two are exactly alike just as no two commodities are exactly alike. They cannot be treated exactly alike. The market opportunities and problems of different commodities necessarily must have different treatment. Some commodities have been in foreign markets for many years and their principal competition is in the form of substitutes such as competition which cotton is experiencing from synthetics. Other commodities have problems of market access, because of trade barriers which have been erected, merely because they are competitive. Other commodities are relatively new to foreign markets and need specialized introductory type programs. Others are faced with subsidized competition and need programs to make them competitive.

Much effective market development work also can and should be carried out in less developed areas which are not commercial markets now but will be as their economies develop. So the extent, character and type of market development programs which are to be carried out must provide for broad flexibility. It would be a great mistake to attempt to standardize market development programs or to take any action which would restrict imagination, destroy initiative, or eliminate trial and error in coping with the many changing and difficult conditions confronting United States agricultural products in world markets.

Mr. Chairman, I hope that our brief review and report will be helpful to the Subcommittee in its review of this vital program. We are intensely interested in it and desire that it be carried out in a way which will meet the expectations and hopes of the Congress in enacting and extending the legislation which made it possible.

On behalf of all of the cooperators represented, I desire to thank the Subcommittee for hearing us at this time and to request your continued support for this program which is so important to the long-term future of American agriculture.

We would like to add a few brief comments with respect to the importance of this program to poultry and eggs and their products.

The development of a market for U.S. poultry products under P.L. 480 is an outstanding example of success in building export markets in spite of a wide variety of handicaps.

Prior to 1956 the United States exported very little poultry meat commercially. Under the authority of P.L. 480 broad range market development programs were instituted under partnership agreements between USDA and the Institute on behalf of the U.S. poultry and egg industry. We have opened and developed markets for U.S. poultry where there were no markets for it before. We have had to be diplomats, traders, negotiators, promoters, and merchandisers. Through our own government we have worked with governments of other countries to try to overcome all kinds of trade barriers—tariffs, license controls, barriers under the guise of health regulations and other non-tariff barriers. We have had to overcome the prejudice against frozen poultry—even change eating and cooking habits.

Market development programs have given the poultry industry a new dimension. The industry has put forth great efforts to build a favorable image abroad for U.S. poultry and into promotion to build total consumption and enlarge the total market.

Nearly 100 countries are now buying U.S. poultry. The bulk of poultry sales have been for dollars.

United States poultry products are still relatively new in export markets. They are demonstrating daily their ability to compete in foreign markets if given the opportunity to do so. We have a good beginning, but exports are im-

portant to the poultry industry and we need to maintain and expand them through the continuation of market development programs made possible through the Agricultural Trade Development and Assistance Act of 1954.

Mr. Chairman, we urge the Committee to extend the Act to December 31, 1971.

STATEMENT OF E. CLINTON STOKES,¹ ON BEHALF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

The Chamber of Commerce of the United States appreciates the opportunity to share the views of the general business community with regard to the extension of the Public Law 480 program, more popularly known as the Food for Peace program. The National Chamber is the largest association of business and professional organizations in the United States and is the principal spokesman for the American business community.

We were pleased that P.L. 89-808, the Food for Peace Act of 1966, which expires December 31, 1968, contained a number of major improvements over the previous P.L. 480 authorities, namely, (1) emphasis on population control through family planning programs in the recipient countries; (2) more emphasis on self-help—to expand per capita food production in recipient countries; (3) authority to provide U.S. commodities from open markets as well as from government stocks; (4) greater emphasis on sales for dollars; (5) greater reliance on private trade, particularly small businesses, and (6) more assistance through research, education and technical training.

The National Chamber believes that an orderly expansion of the economies of the less-developed countries of the free world is in the interest of the United States. It engenders higher living standards and greater purchasing power in these countries and thereby enhances the development of expanded commercial markets for U.S. international trade.

It is apparent that there continues to be a need for outside assistance to help close the food-population gap within a number of friendly nations. When people are starving, the principles of international morality place an obligation on the nations with abundant productive capacity to meet the emergency aspects of the food crisis. The people of this country are willing to make some sacrifices in this humanitarian aspect.

Our aid programs should provide assistance in the proper evaluation of the resources and know-how in these countries—natural and agricultural resources, industrial and marketing capabilities, and institutional facilities for the effective application of research and information.

We emphasize, however, that such assistance will contribute to the achievement of the objectives of the P.L. 480 program only if there is a reasonable degree of social responsibility and economic and political stability within such countries. Manifestations of genuine efforts to achieve these conditions should be considered prerequisite to aid, the end-objective of which should be the implementation by the recipient country of remedial measures to reduce and ultimately eliminate the need for extensive outside assistance.

Our assistance programs should be structured so as to enable the recipient countries to learn through demonstrations the advantages of our free-enterprise system over state trading systems. This means that authority for extension of the P.L. 480 program should place greater reliance on private industry, in the recipient countries as well as the United States, in the sharing of goods, technical assistance, research and information. Our own economic progress and security should serve as a useful example to the less-developed countries in their search for economic stability and in the stimulation of private investment, both domestic and abroad.

To achieve long-term U.S. foreign policy objectives in each area and country, and to engender widespread understanding and support, the concept, scope and administration of our foreign assistance programs, such as P.L. 480, must be continually reviewed and improved.

The National Chamber supports the extension of the existing provisions of P.L. 89-808 with the following modifications:

1. That the program be extended for not more than two years.

¹ E. Clinton Stokes, Senior Associate, Community and Regional Resource Development Group, and Secretary, Agriculture Committee, Chamber of Commerce of the United States.

2. That the terms of the agreement provide maximum opportunity for transactions through the private sector—both in the United States and in the recipient countries. This should apply to technical assistance, research and information, as well as to the sale of commodities.

3. That commodities, both for sale and donation, be obtained from U.S. commercial market sources at prevailing market prices so far as possible. (This means that producers would receive the full market price for exports under concessional sales and donation programs as well as for regular commercial sales. This would also facilitate the termination of acquisition and maintenance of stocks for sale by the U.S. Government. Existing stocks could be disposed of through donations in a manner which will not be injurious to commercial market opportunities.)

4. That government commitments of commodities for concessional sales and donations be determined and announced publicly well in advance so as to enable producers and marketing firms to provide needed adjustments in production and marketing plans.

5. That the recipient countries be authorized to secure the committed commodities directly from American commercial sources in accordance with their own market specifications.

6. That greater effort be directed to encouraging maximum sales for dollars or on dollar credit terms to assist in the solution of U.S. balance-of-payments problems.

7. That greater encouragement be provided for other free world nations to share increasingly in bearing these responsibilities.

These recommendations are designed to implement more effectively the objectives of the P.L. 480 program and facilitate maximum reliance on our private enterprise system. Limiting extension of the law to not more than two years will serve the need for frequent review and adaptation of the aid provisions to fit the type of assistance needed. It will also permit an objective appraisal of the Food and Agriculture Act of 1965 which expires in 1969 and enable the development of successive legislation with a minimum of interdependence with respect to the provisions of the P.L. 480 program.

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST
IN THE UNITED STATES OF AMERICA,
CHURCH WORLD SERVICE,
New York, N.Y., March 11, 1968.

Hon. W. R. POAGE,
*Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.*

DEAR CONGRESSMAN POAGE: Church World Service is the cooperative overseas relief and rehabilitation agency of 32 major Protestant and Orthodox communions comprising the National Council of the Churches of Christ. We have had the privilege of distributing Food for Peace commodities on a people-to-people basis since the inception of the program. These commodities have provided a valuable resource in combination with the food, fiber, medical and agricultural supplies and other goods provided by our church members out of their compassion for those in need.

We place on the record our endorsement of the proposal to extend Public Law 480 for a three-year period.

Additionally, we suggest that the intent of The Congress be established to assure that voluntary agency programs receive programmed commodities in timely and adequate amounts, lest these programs involving hundreds of self-help projects and thousands of volunteer workers be disrupted because of temporary shortages of particular commodities or market fluctuations.

Church World Service has tried to be careful stewards of our resources, both public and private. We appreciate the humanitarian concern of this Government as expressed in legislation such as the Food for Peace Program. We commend your efforts to assure its continuation for the increased benefit of the needy overseas whom we mutually endeavor to serve.

Sincerely yours,

JAMES MACCRACKEN,
Executive Director.

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C., March 13, 1968.

Hon. W. R. POAGE,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE POAGE: The American Association of University Women desires to express its support for a three year extension of P.L. 480, the Agricultural Trade Development and Assistance Act of 1954 as amended. We believe much has been accomplished in the years since its enactment in aiding other countries to improve their general well-being, and in establishing markets for our present and future productivity.

We speak from deep concern that is expressed in our membership in the form of intensive study, currently underway, of food and population problems of the developing countries.

In a time of national financial stringency, extension of P.L. 480 seems a very constructive way of maintaining our objective of aiding developing nations. We would like to point out the impressive results of permitting use of counterpart funds to promote academic research and student exchange. We urge that the legislation before you include arrangements for use of counterpart funds for academic research and for interchange of students from this country to broaden the knowledge and understanding of Americans about foreign nations.

Sincerely yours,

Miss VICTORIA SCHUCK,
Chairman, Legislative Program Committee.
Miss GWENDOLYN CARTER,
Area Representative in World Problems.

STATEMENT OF REV. L. MAYNARD CATCHINGS, COMMITTEE FOR INTERNATIONAL DEVELOPMENT, UNITED CHURCH OF CHRIST, AND REPRESENTING THE DIVISION OF INTERNATIONAL AFFAIRS OF THE NATIONAL COUNCIL OF CHURCHES

STATEMENT OF THE COMMITTEE FOR INTERNATIONAL DEVELOPMENT

We wish to recognize the significant contribution that has been made toward alleviation of the problems of world hunger under the provisions of P.L. 480 since its enactment in 1954. However, we are concerned about the fact that the level of food shipments have declined in recent years in the face of increasing need. We would like to go on record as favoring the extension of this legislation along with the expansion of some of its provisions.

1. It is our feeling that the level of authorization should not be lowered at this time and that every effort should be made to secure a full appropriation of the authorized amounts in the future.

2. We would like to see the population control section enlarged and strengthened.

3. We endorse the request for a three year extension of the bill with the hope that this will in no way curtail further efforts to reevaluate the program in the interest of strengthening and improving it.

4. In face of the need for hard currencies in the developing countries for their legitimate development needs, it does not seem practical in terms of promoting long term development to insist on a stepped up conversion to dollar sales at this time.

A greater effort should be made to use the local currencies that accumulate for development of local agricultural productivity and such things as improved educational and health facilities, increased opportunities for cooperatives and credit union development as well as stimulation of local private business enterprises.

In this regard we also support an increased use of Food for Work plans and an increased use of the Cooley amendment and provision 107 for advancement of U.S. private enterprise involvement in developing countries.

As the main goal should be getting the food to those who need it, in certain emergency situations greater consideration should be given to outright grants.

5. We commend the trend to production for need rather than the "disposal of surpluses" approach. In line with this there should be adequate price incentives

for an increase in quantity as well as quality of food produced which may better fill the nutritional vacuum.

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.,
Washington, D.C., March 15, 1968.

Hon. W. R. POAGE,
U.S. House of Representatives,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE POAGE: On behalf of the Committee for International Development of the United Church of Christ, I wish to submit for the consideration of the Committee on Agriculture of the House of Representatives, the enclosed statement in support of legislation designed to extend the Food for Peace Act (P. L. 480).

As the Committee considers this statement, may I also call to your attention the following statements relative to the issue which were included in a policy statement adopted recently by the General Board of the National Council of Churches:

"While commending the U.S. Government for giving major attention to family planning programs, to urge that this priority be given increased emphasis.

To urge an emergency increase of food aid through adequate production and purchase of food-stuffs. Food aid in a time of famine is a national priority. Food producers in the U.S. must be given adequate price incentives.

To encourage the Government to extend the Food for Freedom Program (Public Law 480) and to broaden and extend its authority for the sale and donation of commodities and purchase of high protein foods. It should make such food aid available to needy people, through governmental, intergovernmental, and voluntary agencies, without discrimination because of ideological or cold war consideration."

We are closely following the deliberations of your Committee on this important issue of America's responsibility for world poverty and hunger and wholly support you in efforts to extend the Food for Peace Act.

Thank you for including the attached statement in the record of the hearings.
Sincerely yours,

L. MAYNARD CATCHINGS,
Associate for International Development.

NATIONAL COTTON COUNCIL OF AMERICA,
Washington, D.C., March 15, 1968.

Hon. W. R. POAGE,
Chairman, House Committee on Agriculture, Longworth House Office Building,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the National Cotton Council whose membership includes cotton farmers, ginners, warehousemen, seed crushers, merchants, manufacturers, and cooperatives, I am writing to you in support of the enactment of H.R. 15693, 90th Congress, 2d Session.

The Council has supported the legislation covering the sale of surplus agricultural commodities for local currencies since the inception of the Agricultural Trade Development and Assistance Act of 1954, which is commonly known as PL-480; and the Council supported the amendment to the legislation providing for long-term dollar credit for surplus agricultural commodities.

The PL-480 program has moved, and continues to move, significant quantities of cotton to countries which did not have, and do not have, sufficient U.S. dollars to purchase their requirements of U.S. cotton. We believe that the program definitely has resulted in expanding U.S. exports of cotton. Under PL-480, from July 1, 1954 to June 30, 1967, 9.8 million bales of cotton were exported for foreign currencies and 984 thousand bales were exported on long-term dollar credit. During Fiscal Year 1967, exports were 578 thousand bales for foreign currencies and 405 thousand bales for long-term dollar credit. These exports represented 21 percent of our exports during that year. It is anticipated that the exports under PL-480 during the current fiscal year will total approximately the same as last year, but will represent a greater percentage of our exports since total exports this fiscal year probably will be below our total exports last year.

From these figures, you can understand and appreciate the importance of the PL-480 program to our cotton exports.

The Congress wisely provided that 5 percent of the proceeds of sales for local currencies and loan repayments be set aside for market development work and that 40 percent of this set-aside be eligible for conversion into currencies necessary for market development activities in dollar markets or potential dollar markets. This provision of law has enabled the U.S. Department of Agriculture and cooperating U.S. industry organizations to undertake effectively agricultural market development programs in countries which are, or have the potential of becoming, dollar markets. It is considered that this aspect of the legislation affords American agriculture one of the only long-term benefits that will accrue to it under the PL-480 program. We strongly recommend that the present set-aside and conversion provisions for market development activities be retained in the continuing legislation.

In regard to cotton, PL-480 agricultural market development funds have been, and are continuing to be, used by the U.S. cotton industry for promotional programs for cotton in general in certain important importing countries. These efforts have been, and are being, carried out in cooperation with the U.S. Department of Agriculture. When the newly established International Institute for Cotton, which is an intergovernmental organization, assumed the responsibility for the cotton market development efforts in Western Europe and Japan as of January 1, 1967, the U.S. cotton industry discontinued its efforts to promote cotton generally in Western Europe and Japan. However, the U.S. cotton industry, in collaboration with the U.S. Department of Agriculture, is continuing to work specifically on behalf of U.S. cotton in Western Europe and Japan, as well as in other countries which are significant importers of cotton. Proceeds from the sales of agricultural commodities under PL-480 are used to pay the U.S. assessment to the International Institute for Cotton, and to pay a portion of the costs of the activities carried out abroad by the U.S. cotton industry.

Man-made fibers are the principal competition for cotton in foreign markets. As an indication of this fact, it is pointed out that from the 1957-58 cotton season to the 1966-67 season, total annual fiber consumption in the Foreign Free World increased from the equivalent of 29.3 million bales of cotton to 45.8 million bales, or an increase of 57 percent, while the consumption of cotton increased only 25 percent during this period. If cotton had maintained the percentage of the market in 1966-67 that it held in 1957-58, then consumption of cotton in the Foreign Free World would have totaled 6.5 million bales more in 1966-67. Under such circumstances, U.S. cotton would have had a significantly greater marketing opportunity, and our exports probably would have been significantly larger provided our cotton had been competitive in price, quality, and availability. From these illustrations, you can readily understand and appreciate the importance of promoting cotton generally in its competitive battle with man-made fibers. In the future, the International Institute for Cotton will carry out most of the promotional activities for cotton generally, but the U.S. cotton industry will undertake certain activities for cotton generally in certain cases where it appears that such efforts would benefit U.S. cotton exports. We strongly recommend continued support by the United States of the vital program that is being carried out by the International Institute for Cotton.

If U.S. cotton gains and maintains its share of the international market for cotton, it is essential that some activities be carried out specifically for U.S. cotton in foreign markets. In the future, the Council will concentrate its promotional efforts abroad on activities specifically promoting American cotton in foreign countries in order to increase our marketing opportunities and to expand our exports of cotton. It is hoped that it will be possible for the U.S. cotton industry, in collaboration with the U.S. Department of Agriculture, to continue to use PL-480 currencies to promote U.S. cotton specifically in significant foreign markets, since increasing our exports of cotton for dollars could assist materially in correcting our balance of payments problem. As an illustration, in Fiscal Year 1957-58, the value of commercial dollar exports of U.S. cotton totaled \$557 million, whereas in 1966-67, they totaled only \$310 million. It is anticipated that the value of commercial dollar exports of cotton might total around \$310 million in 1967-68, even though the level of our exports this season probably will be significantly below what we consider a normal level of exports.

Since the PL-480 sales for local currencies and the sales for long-term dollar credit significantly expand our exports of U.S. cotton, and since some of the proceeds of the PL-480 sales for local currencies help finance cotton's com-

petitive battle with man-made fibers and help finance the promotion of U.S. cotton exports specifically, the Council recommends the extension of this vital program and supports enactment of H.R. 15693.

In case you, or any of the Members of Your Committee, desire additional information about cotton under the PL-480 program, we would be happy to provide it.

We respectfully request that this letter be incorporated into your Committee's official hearing records on H.R. 15693.

With best wishes,

Cordially,

CARL C. CAMPBELL,
Director of Foreign Operations.

STATEMENT OF L. C. CARPENTER, VICE PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.

Mr. Chairman and Members of The Committee, we are pleased to have the opportunity to file this statement in support of our Nation's Food for Freedom Program.

It is extremely important to all of our citizens, especially our family-farmers who produce the commodities supplied and distributed through this program, that Public Law 480, expiring at the end of 1968, be renewed and extended.

In the almost 15 years it has been in effect, PL 480 unquestionably has proved its worth to our country. Initiated and made into law by the 83rd Congress which designated it (and I quote) "An Act to increase the consumption of U.S. agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes".

"The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for U.S. agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage development in the developing countries, with particular assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States."

Surely these were and are commendable aims. Events and history of the past 15 years show our country, as well as those countries we have assisted, have substantially profited in many ways from Food for Freedom program embodied in PL 480. The scope of the program has been extensive. In the 12 fiscal years 1955-1966 \$17.2 billion of U.S. farm products have been exported under PL 480 and AID to 53 foreign countries. This embodied about 30 percent of all our agricultural exports during this period.

Let us take a brief look at the benefits and accomplishments resulting from PL 480:

1. The abundant production of U.S. farmers, dispensed through PL 480 and its interrelated programs, has prevented millions of human beings throughout the world from starving to death in recent years. From a humanitarian standpoint this fact is of paramount consideration.

2. Our farm commodities, freely provided, have greatly assisted former war-torn, have-not and under-developed nations such as Japan, Korea, Taiwan, Greece, Israel, Spain, Yugo-Slavia and the Phillipines to get back on their feet and become economically self-sufficient to a remarkable degree. Their economies have improved to the extent they have a flourishing world trade now. More recently, even India with its half billion human beings, appears definitely on the road to self-sufficiency although it still requires assistance.

3. To many of these countries sales of our food and feed grain commodities and our processed food products are now being made for dollars, thus enhancing our balance-of-payments position.

4. Our Food for Freedom and Food for Peace programs, made possible through PL 480, definitely have helped ward off encroachment by communistic and other forms of dictatorship upon free, but poor and weak countries. New African nations, in a state of flux and turmoil need our help. If people are not hungry they are not likely to revolt in desperation and permit oppressive dictatorship.

5. Our farm products have created and are continuing to create overseas markets for our agricultural production. There is a liking and demand for what we produce, process and make.

6. PL 480 has enabled our nation's efficient farm production plant (a plant composed of our combined three million farm families) to operate at a gratifying level. This laudable situation is of utmost importance in the present era of world-wide tension, conflict and uncertainty. The ability to produce abundant food on short notice is an invaluable asset to any country's security. We need to be secure in this respect *tomorrow* as well as today.

7. U.S. agricultural exports in recent years have been bulwarked by PL 480. It has provided a base from which our agricultural exports have risen to \$7 billion last year from \$4.5 billion a few years ago. Dollar sales of agricultural exports have risen from \$3.2 billion to \$5.2 billion in the same period.

8. Agricultural exports are of immense value to many sectors of our economy, not only to our farmers, but to all business and industry. Grain merchandised and shipped overseas engenders not only good will and good relations but also brings back hard cash to help even America's balance of payments. It also created employment and business for many people besides the farmer. Among these are elevator and storage people and their staffs, truckers, barge men, railroad people, farm machinery and fertilizer manufacturers, bankers, insurance people, customs men, inspectors, shipping crews, as well as employees of the utilities and petroleum industries. The list is long.

These are some of the truly desirable advantages of our Food for Freedom, Food for Peace ideals. We know of not a single important disadvantage. A few critics may carp at the cost. But the cost is insignificant when compared to the \$30 billion or more annual cost of the Vietnam conflict; of the billion spent each year on the Moon programs; of the billions of dollars handed out here at home for a multiplicity of welfare projects. If PL 480 and its allied programs helps to avert only one small war, one costly revolution fostered by communism and brought about by hunger and discontent, is averted in this world the modest cost of our PL 480 exports is well worth while from a dollars and cents standpoint.

Our farmers like to produce. And they need to produce in volume since they are not receiving parity prices per pound and per bushel for their commodities. Presently one out of every four acres harvested in the U.S. goes into exports. In 1967 this represented about 70 million acres of our harvested cropland. Ponder what this means to our family-farmers—25 percent of their total harvest is dependent upon overseas usage! PL 480 shipments to date have composed a substantial portion of this 25 percent.

But for all their efficiency and ability to produce our farmers are sadly underpaid for their vital contribution to our citizens and the nation's welfare. A USDA report just released states that net income to U.S. farmers declined by 12 percent in 1967, compared with 1966. The average net income per farm fell almost \$500. In Missouri the average income of our family-farmers declined 14 percent.

What has caused this decline in a period of prosperity, rising prices and wages? It has been caused by moderate overproduction of some farm commodities, resulting in lower per unit prices for farm commodities, the situation being further aggravated by soaring production costs.

To a substantial extent our Food for Freedom exports take care of this burdensome surplus. It would seem desirable to increase such exports through concessional bargaining, barter and various types of agreements.

At this time it seems appropriate to bring up the topic of adequate reimbursement to our family farmers for their share in this worth-while project. U.S. farmers in many instances are not receiving cost of production for commodities furnished for export. Our farmers are competing with heavily subsidized agricultural production in many countries throughout the world. It would be but elementary fairness to our efficient family-farmers if they were guaranteed parity prices for every pound and bushel of wheat, corn, soybeans and other commodities they supply for export under PL 480 and allied programs. The ensuing cost of whatever method of reimbursement used would then be shared equally among *all* U.S. taxpayers, *including the farmers themselves*. As it is now farmers are to a great extent forced to subsidize PL 480 shipments. The United States, for foreign policy reasons, dispenses other types of foreign aid besides food. Suppliers of material and goods such as armament, fertilizers, machinery, etc., furnished under various programs are *not* asked to contribute these non-food items *at or below cost*.

In conclusion, we fully support the bill you are considering and hope for early affirmative action by this committee and the Congress.

Thanks for the opportunity to present our views.

STATEMENT OF WILLIAM B. EDGERTON, FRIENDS COMMITTEE ON NATIONAL
LEGISLATION

My name is William B. Edgerton. I make this statement as a representative of the Friends Committee on National Legislation, a Quaker organization that has been at work here in Washington for the past twenty-five years in an effort to interpret Quaker concerns about legislative issues relating to matters of peace, human welfare, and justice. Those of you who know the highly individualistic nature of the Society of Friends are aware that no individual or organization can speak officially for all Friends. But a fairly broad consensus exists among all members of the Society as a result of three hundred years of Quaker efforts to apply to the problems of practical life our religious beliefs about the nature of man and his relation to God.

I should like to address myself exclusively to one point that arose in the discussion following John H. Foster's testimony before you on February 29. That is the issue of the restrictions written into the present law on making sales of agricultural commodities under Title I of this act "to any country or area dominated by a Communist government." We advocate the removal of these restrictions.

Perhaps I may have some qualifications for speaking about the presuppositions underlying these restrictions as a result of my professional training and experience. I am on leave of absence from Indiana University, where I am a professor of Slavic Languages and Literatures. For the past twenty-three years I have devoted most of my time to study, research, and teaching about the Soviet Union and the Communist countries of Eastern Europe. In connection with Quaker work during and after World War II, and my scholarly research and teaching, I have made a total of 15 trips to various East European Communist countries, nine of them to the Soviet Union. Since I speak three of the languages of the area, Russian, Polish, and Serbo-Croatian, my contacts with the people of the Soviet Union and Eastern Europe have not had to be filtered through the sometimes murky medium of interpreters.

THE ANTICOMMUNIST RESTRICTIONS IN PUBLIC LAW 480

As I read Section 103(d) of Public Law 480 and the reports in the Congressional Record, I gather that a number of distinct questions have been under discussion. One is the question of forbidding sales to any country engaged in any kind of trade with Cuba or North Vietnam. Another is the question of forbidding sales only to those countries trading strategic materials to Cuba or North Vietnam. Still a third question concerns 103 (d.2) which forbids sales of agricultural commodities for foreign currencies "to any country or area dominated by a Communist government."

I have read the Congressional Record account of the controversy between the House and the Senate over such questions as whether a distinction should be made between countries trading with North Vietnam and those trading with Cuba, whether a distinction should be made between strategic and non-strategic materials, and whether the United States should in any case presume to control the foreign-trade policies of nations buying food from us under Public Law 480.

It would no doubt be futile for me to become involved here in this controversy. Since the Vietnam War itself has the effect of narrowing the range of politically feasible choices open to Congress, the most effective way to work for greater flexibility in this section of Public Law 480 is the indirect way of working for an honorable negotiated peace in Vietnam.

What I should like to discuss is the assumptions about present-day Communism that underlie such provisions as the one in Section 103 (d) of Public Law 480 which forbids sales of agricultural commodities to "any country or area dominated by a Communist government."

ANTICOMMUNISM AND ANTICAPITALISM—TWIN OVERSIMPLIFICATIONS

Perhaps I can best explain why I question that provision by stating that it is an exact parallel to the attitude toward capitalism that I have found in the Soviet Union. On my first visit to Moscow in 1955 I stopped two women on the street one day to ask questions. They turned out to be a mother-in-law and daughter-in-law whose son and husband had been killed in World War II; and as soon as they found out I was from the United States (I was probably the first American they had ever met), they plunged into a deeply moving statement about how much they had suffered from World War II and how much they hated war. When I told them the American people hated war just as much as they did, the two women were actually astonished—and also greatly relieved. Then the older

woman looked thoughtful and said, "Yes, I can believe that. I'm sure the American *people* don't want war—it's just the capitalists." In answer I said: "I've heard almost exactly the same thing in America about your country. People say, 'We are sure the Russian *people* don't want war—it's just the Communists!'"

I argue the same point here that I have argued time and again in the Communist countries of Eastern Europe: when we lump all the people in the Communist countries together and dehumanize them by sticking that Communist label on them, we are making the same unrealistic mistake that the dogmatic Communists themselves commit in reverse when they label all of us as capitalists and assume that the label makes us all alike. Likewise, when we assume that all Communist countries are alike, we make the same kind of mistake the Communists make when they lump together countries as different as the United States, Sweden, Afghanistan, Paraguay, Israel, and India, and condemn them all as capitalist.

THE NATIONALIST MOVEMENT WITHIN COMMUNISM

There are a number of things I might venture to say about Communist realities if I were not trying to keep this statement short—such as, for example, the importance of our distinguishing three separate elements in present-day Communism: the economic, the political, and what I call the pseudo-religious. But perhaps I may emphasize just two points that I believe the American people in general have failed to take fully enough into consideration.

The first one is the role of nationalism within the Communist countries today. It seems to me that nationalism even goes a long way toward explaining the transformation of the international Communist movement into an instrument of Soviet foreign policy during the latter years of Stalin's rule. As soon as Communists came to power in other countries, however, they began to demonstrate in their actions that the loyalties produced by national language and culture and traditions tend to be stronger than any loyalties produced by any political philosophy—even Communism.

First Tito and Yugoslavia broke with the international Communist movement in 1948, then Poland gained a measure of independence in 1956 and Hungary tried unsuccessfully to gain real independence in the same year. More recently Rumania has taken an increasingly independent line in foreign policy, and now each day's news brings us more information about the struggle to liberalize Czechoslovakia.

To be sure, there still are people in our country who persist in refusing to believe all this, and who can even bring themselves to believe that the differences separating the Soviet Union and Communist China are somehow some kind of window dressing, especially set up to deceive the outside world. To my mind the only sure way to keep on believing today in one centrally controlled worldwide Communist movement is to keep away from the facts. These facts are so numerous that if I were challenged to prove my statement about Communist nationalism, I would feel somewhat the way I have felt in the Soviet Union when Russians refuse to believe such obvious things as the fact that the Federal Government here in Washington does not really control all the fifty state governments, or everything that is printed in all American newspapers, or the research that my colleagues and I carry on in Russian studies.

STRUGGLES FROM WITHIN FOR THE LIBERATION OF COMMUNISM

The second point I should like to stress is the clear evidence of struggles that are now going on in a number of Communist countries between what we might call Communist reactionaries and Communist liberals. Most visitors to a Communist country who speak the language and stay there long enough to get below the surface of life quickly realize that the great masses of that country's inhabitants know perfectly well which Communist Party members can be trusted and which cannot—and also which non-Party members can or cannot be trusted.

Since the Communist Party is the unchallengeable ruling minority in every Communist country, we must be prepared to see much of the struggle for greater freedom carried on between reactionary and liberal factions within the ruling party itself, because very few persons who are not Party members are in a position to exert any effective political influence. It is quite possible, though, that even this may gradually change. Soviet scientists and writers, for example, have spoken out with great courage recently on important issues concerning human freedom and justice.

Soviet young people have spoken out more boldly than their elders. Just within the past few days our newspapers have headlined reports of demonstrations in Warsaw by thousands of Polish students. At this very moment the Czech students are in the news for similar reasons. It is interesting for us to see that the United States is not the only country with a New Left movement among its young people. But what is particularly interesting about the New Left in the East European Communist countries is that they are struggling for greater freedom, equal justice under law, and protection against the abuse of power by the government itself. In other words, the New Left in the Communist countries is struggling as best it can to establish within their own economic system something like the freedoms guaranteed to American citizens under our Bill of Rights.

THE INFLUENCE OF A POSITIVE AMERICAN EXAMPLE

In the Soviet Union the most dramatic in a long series of dramatic actions in behalf of civil liberties came at the end of December 1967 when the grandson of former Soviet Foreign Minister Maxim Litvinov openly sent out to the West the transcript of the closed-door trial of a 25-year-old Russian writer named Vladimir Bukovsky. The transcript shows that Bukovsky had used the United States as an example to support his argument defending the constitutional right of Soviet citizens to engage in street demonstrations against unconstitutional acts by their government. "In what kinds of countries is it forbidden to criticize the Government and protest against its actions?" Bukovsky asked during his trial. "Perhaps in capitalist countries? No. We know that in bourgeois countries Communist parties exist whose purpose it is to undermine the capitalist system. In the U.S.A. the Communist Party was suppressed. However, the Supreme Court declared that the suppression was unconstitutional and restored the Communist Party to its full rights."

Some Americans have argued that our American heritage of civil liberties guaranteed by the constitution ought to be withheld from groups or persons who themselves do not really believe in civil liberties, but his statement by a young Soviet citizen provides an eloquent answer to such arguments. The very thing that bolstered him in his struggle for greater civil liberties in his own native Communist country was his belief—unfortunately not wholly correct—that our own country had fully guaranteed the constitutional rights of American citizens who do *not* believe in those constitutional rights.

This incident provides an example of the kind of ways in which I would hope our nation would encourage the growth of freedom, justice, and a spirit of international co-operation within the various Communist countries. I do not believe in the cult of revolution either at home or abroad. To my mind violent revolution is like war: both of them are catastrophes that result from a failure to work out adequate solutions to pressing social conflicts. Consequently I do not believe in encouraging revolutionary overthrow of the Communist regimes in Eastern Europe any more than I believe in trying to solve our problems here at home by overthrowing the government.

Our best hope for the future, in a world that will contain Communist as well as non-Communist governments as far ahead as we can see, will be to encourage the forces within the Communist countries that are working for constructive change. We can encourage them above all by our own example at home, but also in numerous other ways, mostly undramatic and unobtrusive. I can offer no simple blueprint for such actions, but more important than any blueprint is an accurate assessment of the complex and changing realities within each Communist country.

CONVINCING EVIDENCE OF LIBERALIZATION WITHIN COMMUNISM

The defection from Czechoslovakia to the United States a few weeks ago of Major General Jan Sejna, who is said to be the highest ranking official who has ever defected from Eastern Europe, provides dramatic evidence of the changes now taking place there and an instructive example of the danger of misinterpreting these. Under the provisions of a bill on which hearings are now taking place before another Congressional committee, General Sejna would be eligible to trade information about Communist activities in Czechoslovakia not only for an annuity out of American tax money but also for status as a permanent resident of the United States "with freedom from deportation for any cause antedating admission, notwithstanding any other provision of law." But why did General Sejna leave his native Czechoslovakia? Was it because of his disillusionment with

Communism, or because his life was in danger as a result of opposition to Communist tyranny? By no means! He fled Czechoslovakia because the forces of freedom within Czechoslovakia were getting so strong that his position as a Communist reactionary was in danger. Our government may have obtained highly valuable intelligence from him, but our country can scarcely be said to have gained a staunch supporter of democracy in its new permanent resident.

RECOMMENDATIONS

Just what does all this lead up to as far as Public Law 480 is concerned? It leads up to the conclusion that the blanket restriction in Section 103(d) against sales of agricultural commodities for foreign currencies "to any country or areas dominated by a Communist government" is based on a view of world Communism that is about fifteen years out of date and ought to be dropped from the bill. In purely practical terms it is a view that does not take adequate account of the forces of nationalism at work in all Communist countries, nor of the struggle now going on within a number of Communist countries between Communist reactionaries and the forces working for liberalization. Nor does it take account of the opportunities open to our country for encouraging these forms of liberalization, first by our own national example, second by not doing those things which would make their struggle more difficult, and third by being ready to take positive action wherever it is appropriate.

It is in our national interest and in the interest of mankind in general for us to take advantage of every opportunity to encourage the forces within the Communist countries that are struggling to place effective constitutional limits on political power and to create their own equivalent of our Bill of Rights. Their struggle will not be easy, because with the exception of Czechoslovakia and to some extent of Poland, no Communist country has been very fortunate in inheriting political traditions from the past that will help to support the struggle for liberalization today.

Beyond all these practical considerations, however, there is the far more fundamental consideration of our common humanity with those who are in need of food. Senator Aiken once said: "I do not recall any instance in history in which any people have been starved into democracy. They have been starved into totalitarianism, but not into democracy." And in 1962, when Vice President Humphrey represented Minnesota in the Senate, he said: "I beg any Senator to give me any evidence of an instance in which vast human misery that takes the lives of innocent people has ever destroyed communism. . . . The only way I know to win people is with love and fair play." In his attack in 1966 on these very restrictions in the Food-for-Peace Act Senator McGovern declared: "Congress has no right to bribe or pressure other nations into making foreign policy decisions because of our capacity to give or withhold food to hungry people. Other people are as proud and sensitive as we are about their national independence."

History is filled with examples confirming the teaching of all the great religions that the best politics in the long run is action based on right principles rather than action based on expediency. In the case of Public Law 480 the right principle is to take food out of the Cold War and use it to meet human need. Overcoming our enemies by destroying them is not only unchristian; it is probably impossible, because the very act of destroying enemies tends to create more of them. We submit that the United States will find it more effective as well as less expensive to try overcoming our enemies by turning them into friends. At least, we have the New Testament injunction, "If thine enemy hunger, feed him."

STATEMENT OF MORRIS LEWIS, JR., PRESIDENT OF THE LEWIS GROCER CO., INDIANOLA, MISS., AND IMMEDIATE PAST CHAIRMAN OF THE BOARD AND A MEMBER OF THE EXECUTIVE COMMITTEE OF THE NATIONAL AMERICAN WHOLESALE GROCERS ASSOCIATION, NEW YORK CITY

Honorable W. R. Poage and Members of the Committee, I am Morris Lewis, Jr., President of The Lewis Grocer Company and Sunflower Stores, Inc. of Indianola, Mississippi. I am also Chairman of The World Food Committee and Immediate Past Chairman of the Board and a member of the Executive Committee of the National American Wholesale Grocers Association, New York City. National American Wholesale Grocers Association is made up of leading wholesalers throughout the United States, many of whom have long been concerned

with the world hunger problems and what would seem to be the under utilization by various agencies of our Government of the potential contribution that American businessmen, and particularly food industry businessmen, can make in searching out and implementing various projects aimed at solving this most critical problem.

With this statement I am urging not only that Public Law 480 (more commonly known as the Food For Peace Act) be extended but that more aggressive action be taken by the present Administration to more fully implement the high purpose and objectives of this legislation as previously authorized.

There are many aspects of the world hunger problem that are vital to those countries faced with the critical crisis of world hunger, including the United States, which, although itself blessed with abundant food, is nevertheless faced with the political, economic and humanitarian opportunities and challenges of this problem.

As a businessman actively engaged with the problem of distributing food in the United States, I know my own feeling is shared by many of my fellow distributors when I say that the problem of world hunger is not simply a question of helping other nations help themselves with the problem of increasing food production but also with the equally important task of modernizing their own presently fragmented and vastly inefficient system of food distribution.

We were impressed and gladdened by the fact that for the first time Public Law 480, as amended and extended in 1966, did recognize the importance of improving distribution technology in developing nations and specifically encouraged the utilization of more technical and financial assistance in this area. The bill also provided that countries receiving assistance under Public Law 480 should show evidence that active steps are being taken to attack this problem along with the problem of increasing efforts to raise their own primary food productivity capacity. Unfortunately, to the best of my knowledge, there have been no major attempts on the part of various AID agencies, recipient countries or international agencies concerned with hunger problems to mount any action projects in developing countries aimed at modernizing and streamlining present totally inadequate systems of distribution that are exacting a terrible toll from consumers and producers alike. I do understand that some limited research has been authorized by the U.S. Agency for International Development in this area and that it is being carried out by Michigan State University.

However, I wish to emphasize that what is needed most is project action oriented research rather than simply more background research carried out in a vacuum. Simple observation by technically trained businessmen would indicate many areas where realistic and immediate pilot projects could be implemented if given adequate priority consideration, technical guidance and financial assistance. There are, for example, no large scale wholesale grocer operations, no voluntary group chains, no corporate food chains, no retailer co-op chains or, for that matter effective consumer co-op chains operating in many developing areas where hunger problems are critical and where efforts are being made to implement mass food production at the primary producing level. Without the concurrent development of mass distribution systems there can be little hope for success at efforts to develop mass production at the primary agricultural level.

It is often forgotten by many economists that the power of American Agriculture could never have reached its present level of efficiency were it not matched with the concurrent historical development of mass distribution in this country. The general failure to recognize this fact, in the planned attack on world hunger, is of primary concern to me personally and I am sure to many of the food distribution leaders of this country.

Without revolutionary changes in the distribution structures of most developing nations, attempts to radically increase primary agricultural production will be sharply curtailed by the bottleneck of vastly inefficient retail and wholesale channels. These inefficient channels serve to hold consumer prices high and primary agricultural prices low, regardless of the supply and demand relationships. Without major changes in the food distribution structure of most developing nations, farmers will not have the necessary financial incentives to sharply increase their production and consumers will continue to be the victims of excessively high retail prices.

To demonstrate this, let me cite an example which has been used by others but which I think bears repeating here since it so typifies the case where major efforts

are made to increase primary agricultural production without comparable efforts being made to change wholesale and retail distribution patterns. Presume that, through technical and financial assistance in a given developing area, a farmer is taught to grow two crates of lettuce where he formerly grew one. Presume further that the secondary trucker or other similarly unorganized and inefficient wholesaler were prevailed upon to attempt to mass distribute this 100% increase in productive efficiency. In a typical developing nation the average grocery store is about 10 feet by 12 feet in size and is one of the unnumbered thousands serving the food needs of the urban areas. The trucker-"wholesaler", either at a make-shift public market or at the small shop of the retailer, tells the retailer his story that the production of lettuce has been doubled and that the wholesale price has been sharply reduced from 25¢ a head to 15¢ a head. He asks the retailer, "How many heads do you want?"

The retailer replies, "Give me six heads."

"How many did you sell last week?" the wholesaler asks.

"Six heads," replies the retailer.

"What price did you sell the lettuce for last week?" asks the trucker-wholesaler.

"40¢ a head," replies the retailer.

"Why?" asks the wholesaler. "The wholesale cost has dropped sharply. Why not double your purchase of lettuce, drop your retail price, and really sell lettuce in volume at a much bigger net profit in terms of dollars?"

"Why?" states the retailer. "Because there are only six people in my neighborhood who eat lettuce and the net effect of my buying more lettuce and cutting my price would be that half of it would rot, and I would end up making less money . . . Thank you, no . . . Just give me six heads, but I do appreciate the lower price to me."

The sad part of this story is that, from a pragmatic and very personal point of view, the retailer is absolutely right. Because of the smallness of his shop, he cannot mass display and merchandise lettuce. Because he is not a member of a voluntary group chain of retailers or a retailer co-op chain, he cannot expand his operation, improve his efficiency, advertise lower prices and thus increase his total volume.

Because he is a subsistence operator himself, he cannot afford to gamble on "modern theories" of "large volume—low mark-up." He would rather sell six heads of lettuce at 50% mark-up than risk the chance of selling 12 heads at 30% mark-up. Big volume . . . low mark-up marketing theory is not part of his thinking. He has learned the hard way to believe in the limited market concept and, besides, as many merchants in many developing nations will tell you, with a limited market anyway, it is ungentlemanly to cut a price.

I have told this long story to make the point that, just as it is difficult but vital to teach farmers to use modern fertilizers and seeds, it is equally difficult but vital to provide the technical and financial assistance to the wholesale and retail food distribution sector of developing economies. This must be done in order that mass agricultural producers will have the necessary financial incentives of a mass-volume market place to market ever greater quantities of agricultural produce at ever lower prices to consumers and ever increasing income to the primary producer.

It is this failure to deal with this problem in planning development efforts in most food AID programs and in agency technical and financial aid programming and staffing that is my primary concern in this testimony.

While speaking as an individual, I think I am expressing the sentiments of the overwhelming majority of the members of the National American Wholesale Grocers Association when I say that I endorse the objectives of Public Law 480 before this committee which is aimed at broadening our food aid efforts to more fully enlist the power of American agriculture in our political struggle to get at the root causes of communism and not just military containment.

I endorse not only the world political objectives of sharply expanded Food for Freedom programs and the attendant economic advantages to American Farmers, but I endorse the simple fact that it is a humanitarian necessity to come to the assistance of the millions who are starving in a world of potential abundance.

Again, it has been said before but I repeat, our sense of political expediency, as well as our sense of human values, is out of balance when we can justify the expenditure of thirty billion dollars in military containment in Viet Nam and the expenditure of twenty billion dollars to put a man on the moon and leave a billion starving people on earth.

I commend the members of this committee on their careful consideration of the importance of extending and more fully implementing Public Law 480 and the apparent desire expressed in the 1966 bill to more fully enlist the power of American agriculture in the battle for Freedom against hunger in the world. Not only must the present food AID and developmental efforts be greatly expanded, but I think we should take note of the fact that, along with a larger program that will provide more and better "weapons" to fight hunger, we need a new sense of urgency and commitment among the administrators of such AID and developmental programs. Based on my own experience with various personnel within our AID programs, I can say that, while we do have many highly dedicated and competent people staffing our AID efforts, the fact remains that there is apparently lacking among many, a sense of urgency and an "It can be done" attitude. The same dedication, sense of urgency, and "It can be done" attitude that is so strong throughout our military and space programs must be developed more fully within our economic and political aid programs which are so heavily supported by Food For Freedom shipments and the counterpart funds thus generated.

Having strongly endorsed the move to extend Public Law 480 I would like to go back briefly to my original statement that I hope this committee will encourage this Administration to act to spell out specifically the need not only for technical and financial assistance to help primary agricultural producers in developing nations to grow more food, but also the need for technical and financial assistance to help modernize the distribution sector of these same developing nations. Primary production is 50% of the problem. Inefficient distribution methods remain as the other 50% of the same coin.

In conclusion, I wish to thank you Mr. Chairman, and the committee for this opportunity to express my opinions on this very important legislative matter. While speaking as an individual, I know I speak for a large number of the food industry when I say, that as businessmen we stand ready to help where we can to formulate the kind of action programs needed so badly in this neglected area of development—efficient world food DISTRIBUTION. Thank you.

STATEMENT OF RAY OBRECHT, MASTER, COLORADO STATE GRANGE

On the wheat used for diplomatic and humanitarian reasons and PL 480, of which the taxpayer purchased approximately 400 million bushel last year, not including that which went into CCC storage on strategic reserve, we feel it is the obligation of the American taxpayer to pay the same price as for domestic wheat (by the way the farmer will be paying his just share, as he is a big taxpayer) or should be handled in the same manner as domestic wheat, receiving a certificate equaling parity at point of delivery, and when delivered, paid to the producer, or the difference between the market price paid on the producer's sales receipt and parity at point of delivery, which would save the government considerable over a flat \$1.36 certificate.

STATEMENT OF WALTER W. GOEPPINGER, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

To assist in the use of P.L. 480 earned currencies which the U.S. now owns but are blocked in foreign countries under the Public Law 480 of 1954, we suggest that a change in the existing program give authority to those handling negotiations for the U.S. to enter into agreements specifying that up to 50% of foreign currency accumulated by P.L. 480 sales could be sold at the current rate of exchange to U.S. importers for the procurement of materials or commodities from the recipient nation.

The U.S. negotiators would thus be directed to enter into agreements which would provide that up to 50% of the foreign currencies generated by P.L. 480 transactions can be offered for sale at a discounted rate to U.S. contractors doing business in a recipient country or to local contractors in that country, provided that the local currencies be used only for the payment of wages within that purchasing country on public works. Furthermore, there should be provision that there be determination of the amounts of foreign currency needed for certain

governmental purposes, including operation of the U.S. Embassy in a country receiving goods under our P.L. 480 law, and then requirement of immediate partial payment on delivery of the goods so the funds can be used to defray U.S. Embassy expenses in that country.

It is our belief that creating such provisions as those embodied in H.R. 16165 introduced on March 25, 1968 by Representative W. R. Poage of Texas basically providing for the above changes in the P.L. 480 program would have a beneficial effect upon U.S. feed grain producers and also the nations which are recipients of the feed grains. In addition such a program would enhance our balance of payments position. In effect, our feed grains would become a means by which stimulated use of them for capital improvement within the recipient countries would be increased and at the same time we would be receiving money returned to us in the U.S. much faster than under the presently existing P.L. 480 law.

We thank you for allowing us to bring this testimony to you.

The CHAIRMAN. If there are no further questions the committee will stand in recess.

(Whereupon, at 12 noon, the committee arose.)

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We thank you for allowing us to bring this testimony to you.
The Chairman: If there are no further questions the committee
will stand in recess.

(Whereupon, at 12 noon, the committee arose.)

