EXTRA-LONG STAPLE COTTON

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

ON

H.R. 15098

APRIL 26, 1968

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CONTENTS

EXTRA LONG STAPLE COTTON

FRIDAY, APRIL 26, 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, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, McMillan, Purcell, O'Neal, Foley, de la Garza, Vigorito, Nichols, Montgomery, Belcher, Teague of California, Dole, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, Clerk, William C. Black, General Counsel; Hyde H. Murray, Assistant Counsel; L. T. Easley, Staff Consultant; and Fowler C. West, Assistant Staff Consultant.

The CHAIRMAN. The committee will please come to order.

We are met this morning for consideration of H.R. 15098, a bill relating to extra long staple cotton. We have a number of Members who have asked we make their statements in favor of the legislation a part of the record, as well as a statement by John C. Lynn of the American Farm Bureau Federation which is in opposition to this legislation. And without objection, these will all be made a part of the record.

(The statements of Hon. E. S. Johnny Walker, Sam Steiger, Morris K. Udall, and the American Farm Bureau Federation are as follows:)

(The bill, H.R. 15098, introduced by Mr. Morris, Mr. Walker, Mr. Udall, Mr. Steiger of Arizona, and Mr. White, together with the statements of Representatives Walker, Steiger, and Udall and the American Farm Bureau Federation, follows:)

[H.R. 15098, 90th Cong., second sess.]

A BILL To amend the Agricultural Adjustment Act of 1938 with respect to extra long staple cotton, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 347(b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(b)(1) The Secretary shall, not later than October 15 of each calendar year, proclaim the amount of the national marketing quota for the crop of cotton described in subsection (a) produced in the next succeeding calendar year in terms of the quantity of such cotton equal to the estimated domestic consumption plus exports for the marketing year which begins in such succeeding calendar year, less the estimated imports, plus such additional number of bales, if any, as the Secretary determines is necessary to assure adequate working stocks in trade channels until cotton from the next crop becomes readily available without resort to Commodity Credit Corporation stocks: *Provided,* That the Secretary may reduce the national marketing quota so determined for any crop for the purpose of reducing surplus stocks, but not below the minimum quota prescribed under paragraph (2) of this subsection.

"(2) The national marketing quota for any crop shall not be less than the amount of the import quota in effect on August 1, 1967, for the year beginning on such date for extra long staple cotton (one and three-eighths inches or more) in pounds converted to standard bales of five hundred pounds gross weight, established pursuant to section 22 of the Agricultural Adjustment Act (of 1933), as amended.

"(3) Notwithstanding the provisions of paragraph (1) of this subsection, the national marketing quota shall be the minimum quota under paragraph (2) of this subsection for each crop of such cotton for which the Secretary estimates that the carryover of American-grown extra long staple cotton at the beginning of the marketing year for the crop for which the quota is proclaimed (excluding any such cotton in the stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act, as amended) will be more than 50 per centum of the estimated domestic consumption and exports of American-grown extra long staple cotton for such marketing year: *Provided*, That the foregoing provisions of this sentence shall not apply for any crop for which the carryover so estimated is an amount equal to 50 per centum or less of the estimated domestic consumption and exports of American-grown extra long staple cotton for the marketing year for such crop, and such provisions shall not apply to any crop following the first crop for which this proviso comes into operation.

"(4) The provision of paragraph (1), (2), and (3) of this subsection shall apply to the 1969 and each succeeding crop of cotton described in subsection (a) of this section.

"(5) The Secretary shall adjust the national marketing quota for the 1968 crop of cotton described in subsection (a) so that such quota shall be not less than the number of bales required to provide a national acreage allotment for such crop of seventy-seven thousand three hundred acres. The Secretary shall allocate the additional acreage under this paragraph to States, counties and farms on a pro rata basis."

SEC. 2. Section 101(f) of the Agricultural Act of 1949, as amended, is amended by striking out all of the first sentence following the words "except that", and substituting in lieu therefor the following: "notwithstanding any other provision of this Act, price support shall be made available to cooperators for the 1968 and each subsequent crop of extra long staple cotton, if producers have not disapproved marketing quotas therefor, through loans at a level which is not less than 50 per centum or more than 100 per centum in excess of the loan level established for Middling one-inch upland cotton of such crop at average location in the United States (except that such loan level for extra long staple cotton shall in no event be less than 35 cents per pound) and, in addition, through price-support payments at a rate which, together with the loan level established for such crop, shall be not less than 65 per centum or more than 90 per centum of the parity price for extra long staple cotton as of the month in which the payment rate provided for by this subsection is announced. Such payment with respect to any farm shall be made on the quantity of extra long staple cotton, determined in accordance with regulations prescribed by the Secretary, equal to either (1) for a farm on which the acreage planted to such cotton does not exceed an acreage determined by multiplying the farm acreage allotment by the price-support payment factor established by the Secretary for each crop, the actual production of such cotton on the farm, or (2) for a farm on which the acreage planted to such cotton exceeds an acreage determined by multiplying the farm acreage allotment by the price-support payment factor but does not exceed the farm acreage allotment, the actual production of such cotton on the farm attributable to the number of acres determined by multiplying the farm acreage allotment by such price-support payment factor. The Secretary shall establish the price-support payment factor for each such crop of extra long staple cotton by dividing the 1966 national acreage allotment for such cotton by the national acreage allotment proclaimed for such crop, except that such factor shall not be more than one. The Secretary shall provide for the sharing of price-support payments under this subsection among producers on a farm on the basis of their respective shares in the crop of extra long staple cotton produced on the farm, or the proceeds therefrom. The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments). shall also apply to payments under this subsection. The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this subsection and to pay administrative expenses necessary in carrying out this subsection."

SEC. 3. Section 347 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new subsections at the end thereof to read as follows:

"(f) Notwithstanding any other provision of law, beginning with the 1968 crop of extra long staple cotton, the Secretary, if he determines that it will not impair the effective operation of the program involved, (1) may permit the owner and operator of any farm for which an extra long staple cotton acreage allotment is established to sell or lease all or any part or the right to all or any part of such allotment to any other owner or operator of a farm for transfer to such farm; (2) may permit the owner of a farm to transfer all or any part of such allotment to any other farm owned or controlled by him. No allotment shall be transferred under this subsection to a farm in another State or to a person for use in another State. The Secretary shall prescribe regulations for the administration of this subsection and may prescribe such terms and conditions as he deems necessary.

"(g) Notwithstanding any other provision of law, if the extra long staple cotton acreage allotment established for any farm for the 1968 and subsequent crops is greater than such allotment for the preceding crop, because of transfers under subsection (f) of this section or for any other reason, the soil conserving base established for the farm shall be reduced by the same number of acres that the allotment is increased for that year."

SEC. 4. Section 407 of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided,* That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1938, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly."

SEC. 5. Section 3 of Public Law 88–638 (78 Stat. 1038) is hereby repealed effective August 1, 1968.

STATEMENT OF E. S. JOHNNY WALKER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. Chairman and members of the committee, I welcome this opportunity to appear before your committee because I am deeply concerned about what has been happening to extra long staple cotton in New Mexico and other parts of the Nation. That is one of the reasons that on February 5, 1968 I introduced H.R. 15098. The provisions of this bill are designed to restore the price of extra long staple cotton to a normal relationship with that of upland cotton. It would also provide for desirable adjustments in price supports and acreage allotments.

In New Mexico, one of the Nation's leading producers of extra long staple cotton, the acreage allotments have dropped sharply since 1963 when they totaled 29,725 acres. Since then the acreage has fallen off as follows:

Year:	*Acreage allotment*
1964	22,405
1965	15,627
1966	16,402
1967	14,249
1968	14,264

Even with these cutbacks, New Mexico ranks third in the amount of acreage planted in extra long staple cotton. This shows why we consider the crop to be important to the growers in our area.

During the Korean and past wars, extra long staple cotton was a strategic fiber needed for parachutes and sewing thread. In recent years manmade fibers have largely supplanted extra long staple cotton insofar as military needs for such items are concerned. However, extra long staple cotton is now used in blends with manmade fibres for certain military apparel such as jackets and raincoats.

Extra long staple cotton produced in the United States competes directly with similar cotton imported from Perú, Egypt, and the Sudan. An import quota under Section 22 limits imports to about 82,480 bales each marketing year. In 1965, extra long staple production in the United States was exactly equal to the volume of imports; in 1966 production is expected to be about 15 percent lower than the import quota.

I believe that if this proposed legislation were enacted it would do much to correct the major inequities that now exist in the extra long staple cotton business. Therefore, I urgently solicit your support for H.R. 15098.

STATEMENT OF HON. SAM STEIGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. Chairman, as a cosponsor of H.R. 15098, I appreciate receiving this opportunity to submit a statment on behalf of the proposed legislation to the House Committee on Agriculture.

Enactment of this amendment to the Agricultural Adjustment Act of 1938 will restore the normal compatibility of the long and short staple cotton programs. Maintenance of the growers' incomes will also be achieved.

A reduction in the support price of long staple cotton and the establishment of an adjustment payment to producers, allowing the growers' incomes to remain at the present level, would greatly decrease the amount of extra long staple cotton going to the Commodity Credit Corporation.

This correction of the imbalance in price resulting from the passage of the 1965 Food and Agriculture Act would benefit the public, producers and the government.

H.R. 15098's bringing the long staple support price in line with that of ordinary upland cotton is an excellent corrective measure and should be taken.

Thank you for allowing me to present this statement in favor of H.R. 15098.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 8, 1968.

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

DEAR MR. CHAIRMAN: Early this year, I was pleased to co-sponsor H.R. 15098, to amend the Agricultural Adjustment Act of 1938, in an effort aimed at stimulating sales of extra-long staple cotton.

My Congressional District contains some of the most productive long staple cotton growing acreage in the Nation. Passage of this legislation would result in a more efficient use of these and other land resources and would provide the American economy with a dependable supply of long staple cotton.

I am hopeful the hearings you are conducting will satisfy your committee members of the merits of this legislation and that the entire House can have an early opportunity of voting for passage of this legislation which is so important to my Congressional District.

Sincerely,

MORRIS K. UDALL.

Statement of the American Farm Bureau Federation

We appreciate the opportunity to present our views with regard to H.R. 15098, a bill with respect to extra long staple cotton.

The principal provision of this bill would establish a compensatory payment program for extra long staple cotton similar to the one now in effect for upland cotton under the provisions of the Food and Agriculture Act of 1965.

We believe it will be well for the committee to review carefully how the program for upland cotton, under the 1965 Act, has actually worked as compared to the claims made for the compensatory payment program before it was enacted. In our judgment, the upland cotton compensatory payment program has not materially increased consumption of cotton; it has not increased exports of cotton; it has been extremely costly and cotton producers are concerned that limitations eventually will be established for individual payments.

We understand and appreciate the dilemma in which the extra long staple cotton producers find themselves. The situation has been caused by the operation of the Agricultural Act of 1965 with regard to upland cotton. It is clear that the upland cotton program has not succeeded in any of its stated objectives; therefore, we are very hesitant to suggest legislation that places such a burden on the producers of extra long staple cotton. We do not think any action should be taken at this time relative to the extension of the provisions of the Agriculural Act of 1965.

We believe the recommendations contained in this statement, if put into effect through legislative action in 1969, will move in the direction of solving some of the problems of both upland and extra long staple cotton.

The promoters of direct payments on cotton argued that payments would benefit consumers by reducing the retail prices of cotton goods. The promised savings to consumers did not materialize. Instead of lowering prices to consumers, payments resulted in higher mill margins.

The average mill margin on 20 constructions rose from 24.91 cents per pound in the crop year 1962–63, the last full year before payments, to 38.82 cents in the crop year 1966–67, the last full year for which comparable data are available.

Current information on cotton margins is not entirely comparable with the above data as USDA has increased the number of constructions used in computing margin statistics. Recent data indicate that mill margins have been reduced somewhat by the increase in cotton prices which resulted from the short 1967 crop; however, it appears that margins are still well above the pre-payment level.

CLOTH AND RAW COTTON PRICES AND MILL MARGINS

[In cents per pound]

Year beginning August—	Average for 20 constructions		
	Unfinished cloth prices	Raw cotton Prices	Mill margins
1962	60.52	35.61	24.91
1963 [1]	61.54	35.46	26.08
1964	62.98	27.23	35.75
1965	65.15	26.49	38.66
1966	64.26	25.44	38.82
	Average for 71 constructions		
1966	66.18	25.56	40.62
1967 (August–December average)	64.89	29.81	35.08

[1] Payments to the mills began on Apr. 11, 1964; however, the USDA made no adjustments for these payments prior to August 1964.

Source: "Cotton Situation," January 1968, Economic Research Service, USDA.

Government payments are an unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at any time.

Cotton payments (compensatory and diversion) made direct to farmers from the Federal Treasury totaled $932 million in 1967. This is more than the total value of all upland cotton produced in 1967 figured at the loan rate for cotton. It should be obvious, with Federal deficits running as they are, that payments of this magnitude cannot possibly continue; and every effort must be made to find a different approach to the cotton problem.

The payment approach reflects a cheap fiber philosophy. These payments are not net additions to farm income. Basically they are compensation for Government actions—such as the sale of CCC stocks—to hold down market prices. Cotton farmers know there is no future in getting their income in a check from the U.S. Treasury rather than from the consumer through the market place.

Mill consumption of all cotton in the United States continues to decline, on a per capita basis, as compared to all fibers. The per capita consumption of cotton declined from 30.0 lbs. in 1940 to 22.2 lbs. in 1967. Per capita consumption of all fiber increased from 37.3 lbs. to 45.1 lbs. during the same period The per capita consumption of cotton declined from 23.2 lbs. in 1960 to 22.2 lbs. in 1967; whereas, the per capita consumption of all fiber increased dramatically from 35.9 lbs. to 45.1 lbs. in the same period. (See attached table on mill consumption.)

It is obvious from these consumption figures that the future for cotton producers, both upland and extra long staple, is not bright; however, we do not believe that the producers of extra long staple cotton would be helped by adopting a program of compensatory payments such as we now have for upland cotton. We therefore oppose the passage of H.R. 15098.

We oppose extension of the upland cotton provisions of the Food and Agriculture Act of 1965 and recommend that the following guidelines be observed in developing new legislation for both upland and extra long staple cotton:

It must encourage production for use rather than Government storage.

It must assure adequate supplies of all qualities to meet market demands.

It must be sufficiently flexible to meet changing conditions.

It must lower Government program costs.

It must allow for price differentials based on quality.

The proposed transition to the market system must allow producers adequate time to adjust.

Existing research on cotton should be greatly expanded to cut production costs and improve cotton's ability to compete in the market place. Federal, State, and private research programs should be coordinated to ensure the effective use of available funds.

The imbalance between imports and exports of cotton and cotton products must be corrected.

Farmers should not have to compete with CCC stocks. The release price for unrestricted sales of CCC stocks should be high enough to permit the market to function.

Steps should be taken immediately to terminate the provisions of present programs that permit a producer to collect full price support payments and receive crop insurance benefits on cotton land that is to be replanted to soybeans or other crops for harvest.

The direct payments now being made to upland cotton producers must be phased out as rapidly as possible as a step toward a sounder cotton economy and to avoid the disastrous effects which would result from limitations on payments to individuals.

We again want to thank this committee for the opportunity to present our views. We urge you not to approve H.R. 15098.

MILL CONSUMPTION OF FIBERS—TOTAL AND PER CAPITA, 1940–67

Year beginning Jan. 1	Population July 1 [1] (mil.)	Cotton [2]			Wool [3]			Rayon and acetate [4]			Noncellulosic man-made fibers			Manmade fiber waste [6]			Flax [7] and silk [8]			All fibers	
		Total (mil. lb.)	Percentage of fibers (pct.)	Per capita (lb.)	Total (mil. lb.)	Percentage of fibers (pct.)	Per capita (lb.)	Total (mil. lb.)	Percentage of fibers (pct.)	Per capita lb.)	Total (mil. lb.)	Percentage of fibers (pct.)	Per capita (lb.)	Total (mil. lb.)	Percentage of fibers (pct.)	Per capita (lb.)	Total (mil. lb.)	Percentage of fibers (pct.)	Per capita (lb.)	Total [9] (mil. lb.)	Per capita [10] (lb.)
1940	132.1	3,959.1	80.4	30.0	407.9	8.3	3.1	482.1	9.8	3.6	4.3	0.1	([11])	12.3	0.2	0.1	59.7	1.2	0.5	4,925.3	37.3
1941	133.4	5,192.1	80.0	38.9	648.0	10.0	4.9	591.9	9.1	4.4	11.6	.2	0.1	14.0	.2	.1	35.3	.5	.3	6,492.8	48.7
1942	134.9	5,633.1	81.4	41.8	603.6	8.7	4.5	620.8	9.0	4.6	23.1	.3	.2	15.0	.2	.1	23.2	.4	.2	6,918.8	51.3
1943	136.7	5,270.6	79.5	38.6	636.2	9.6	4.7	656.1	9.9	4.8	35.3	.5	.3	21.4	.3	.2	13.6	.2	.1	6,633.2	48.5
1944	138.4	4,790.4	77.3	34.6	622.8	10.0	4.5	704.8	11.4	5.1	48.8	.7	.3	21.9	.4	.2	9.5	.2	.1	6,195.2	44.8
1945	139.9	4,515.8	75.1	32.3	645.1	10.7	4.6	769.9	12.8	5.5	49.8	.8	.4	25.4	.4	.2	8.4	.2	.1	6,014.4	43.0
1946	141.4	4,809.1	73.7	34.0	737.5	11.3	5.2	875.5	13.4	6.2	53.2	.8	.4	25.6	.4	.2	26.1	.4	.2	6,527.0	46.2
1947	144.1	4,665.6	72.5	32.4	698.2	10.8	4.9	987.9	15.4	6.9	51.4	.8	.4	18.6	.3	.1	12.0	.2	.1	6,433.7	44.6
1948	146.6	4,463.5	69.7	30.4	693.1	10.8	4.7	1,149.4	17.9	7.8	71.7	1.1	.5	18.6	.3	.1	12.9	.2	.1	6,409.2	43.7
1949	149.2	3,839.1	70.4	25.7	500.4	9.2	3.4	994.5	18.2	6.7	92.8	1.7	.6	15.6	.3	.1	10.1	.2	.1	5,451.5	36.5
1950	151.7	4,682.7	68.3	30.9	634.8	9.3	4.2	1,350.0	19.7	8.9	140.5	2.0	.9	28.0	.4	.2	21.4	.3	.1	6,857.5	45.2
1951	154.3	4,868.6	71.1	31.6	484.2	7.1	3.1	1,274.6	18.6	8.3	195.5	2.8	1.3	8.4	.1	.1	18.3	.3	.1	6,849.6	44.4
1952	157.0	4,470.9	69.4	28.5	466.4	7.2	3.0	1,214.7	18.8	7.7	249.0	3.9	1.6	26.4	.4	.2	19.3	.3	.1	6,446.6	41.1
1953	159.6	4,456.1	68.7	27.9	494.0	7.6	3.1	1,225.2	18.9	7.7	279.3	4.3	1.8	21.8	.3	.1	15.4	.2	.1	6,489.1	40.7
1954	162.4	4,127.3	68.4	25.4	384.1	6.4	2.4	1,154.7	19.1	7.1	328.6	5.4	2.0	25.0	.4	.2	15.5	.3	.1	6,035.2	37.2
1955	165.3	4,382.4	65.2	26.5	413.8	6.2	2.5	1,419.1	21.2	8.6	432.2	6.4	2.6	51.1	.8	.3	19.0	.3	.1	6,717.6	40.6
1956	168.2	4,362.6	66.6	25.9	440.8	6.7	2.6	1,200.8	18.3	7.1	484.1	7.4	2.9	42.4	.7	.3	20.6	.3	.1	6,551.2	38.9
1957	171.3	4,060.4	65.1	23.7	368.8	5.9	2.2	1,177.0	18.9	6.9	567.5	9.1	3.3	48.0	.8	.3	15.5	.2	.1	6,237.2	36.4
1958	174.1	3,866.9	64.8	22.2	331.1	5.5	1.9	1,127.2	18.9	6.5	575.3	9.6	3.3	61.7	1.0	.4	9.4	.2	.1	5,971.5	34.3
1959	177.1	4,334.5	63.3	24.5	435.3	6.4	2.5	1,252.4	18.3	7.1	741.4	10.8	4.2	70.9	1.0	.4	11.8	.2	.1	6,846.3	38.7
1960	180.7	4,190.9	64.6	23.2	411.0	6.3	2.3	1,055.4	16.3	5.8	761.6	11.7	4.2	60.8	.9	.3	11.6	.2	.1	6,491.4	35.9
1961	183.8	4,081.5	62.1	22.2	412.1	6.3	2.2	1,128.0	17.2	6.1	861.4	13.1	4.7	71.3	1.1	.4	12.7	.2	.1	6,567.0	35.7
1962	186.7	4,188.0	59.4	22.4	429.1	6.1	2.3	1,263.4	17.9	6.8	1,075.6	15.3	5.8	79.5	1.1	.4	12.4	.2	.1	7,048.0	37.8
1963	189.4	4,040.2	55.7	21.3	411.7	5.7	2.2	1,440.2	19.9	7.6	1,257.5	17.3	6.7	90.1	1.2	.5	13.1	.2	.1	7,252.8	38.3
1964	192.1	4,244.4	54.5	22.1	356.7	4.6	1.9	1,516.3	19.5	7.9	1,554.8	19.9	8.1	103.2	1.3	.5	14.2	.2	.1	7,789.6	40.6
1965	194.6	4,477.5	52.7	23.0	387.0	4.5	2.0	1,550.4	18.2	8.0	1,955.7	23.0	10.1	118.0	1.4	.6	13.3	.2	.1	8,501.9	43.7
1966	196.9	4,630.5	51.3	23.5	370.2	4.1	1.9	1,591.1	17.6	8.1	2,288.3	25.4	11.6	122.8	1.4	.6	14.7	.2	.1	9,017.6	45.8
1967 [12]	199.1	4,420.7	49.2	22.2	312.5	3.5	1.6	1,500.2	16.7	7.5	2,596.2	28.9	13.0	144.0	1.6	.7	10.4	.1	.1	8,984.0	45.1

[1] Bureau of the Census. Population continental United States as of July 1, including Armed Forces overseas.

[2] Mill consumption as reported by the Bureau of the Census. For American cotton, tare as reported by the Crop Reporting Board has been deducted; for foreign cotton, 3 percent (15 pounds) was deducted (20 pounds beginning Aug. 1, 1958). Since 1950, data have been adjusted to year ended Dec. 31.

[3] Includes apparel and carpet wool on a scoured basis. Data from wool consumption reports of the Bureau of the Census.

[4] Textile Organon, publication of the Textile Economic Bureaus, Inc. Includes filament and staple fibers. Data are U.S. producers' domestic shipments, plus imports for consumption.

[5] Textile Organon. Nylon, acrylic, glass fiber, etc. U.S. producers' shipment plus imports for consumption.

[6] Producers' manmade fiber waste consumed by mills.

[7] Flax. Imports and estimated production. Bureau of the Census and Plant Industry through 1948; 1949–52 production was estimated by the Agricultural Marketing Service, Portland, Oreg,. office. Imports only since the 1953 season.

[8] Silk. Bureau of the Census imports for consumption.

[9] Totals made from unrounded data.

[10] Total consumption divided by population and not a summation of per capita consumption of fibers.

[11] Less than 0.05 pound.

[12] Preliminary.

The CHAIRMAN. Our first witness is our colleague, Thomas G. Morris of New Mexico. We will be glad to hear from you now.

STATEMENT OF HON. THOMAS G. MORRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. MORRIS. Mr. Chairman and gentlemen of the Committee. I thank you for permitting me to speak before this distinguished committee in support of my bill, H.R. 15098, which deals with acreage allotments and price support for extra-long staple cotton and is designed to restore the price of extra-long staple cotton to a normal relationship with that of upland cotton.

The Food and Agriculture Act of 1965 provided for a one-price program for upland cotton. Under that act a maximum loan level for upland cotton was established at about 90 percent of the estimated average world price. The law, however, did not affect the support loan level for extra-long staple cotton which remained at 60 to 75 percent of parity. As a result, the support loan for extra-long staple cotton is now out of line with that of upland cotton. The extra-long staple cotton is moving into Commodity Credit Corporation stocks to some extent instead of the market and acreage allotment for extra-long staple cotton have been reduced from 112,000 acres in 1964 to 70,500 acres in 1968.

This bill, in my opinion, would correct this problem by bringing the price support loan for extra-long staple cotton down to a level more nearly in line with that of upland cotton. The bill would first provide a price support loan for extra-long staple cotton at 1½ to 2 times the support loan for the upland cotton, but not less than 35 cents per pound. As in the case of upland cotton, total price support provided through loans and payments for any crop would not be less than 65 percent of parity.

In effect, the bill would reduce the loan level for extra-long staple cotton to about 35 or 40 cents per pound and would authorize payments to producers of about 9 to 14 cents per pound on the extra-long staple cotton domestically produced. Based on the November 1967 parity of 74.9 cents, 65 percent of parity would be 48.7 cents per pound. With the market price at about the loan level, a one-price cotton system would be in effect for extra-long staple cotton. In other words, extra-long staple cotton would be available for domestic consumption and export at the same price. Commodity Credit Corporation sales for export at reduced prices would be discontinued.

These payments would be limited to an acreage not in excess of the 1966 acreage allotment of 81,400 acres.

The existing high loan rate for extra-long staple cotton causes unrealistically high market prices for qualities of such cotton which compete with longer staple lengths of upland cotton. It is the purpose of this bill to correct the existing imbalance in price between upland and extra-long staple cotton.

Mr. Chairman, I respectfully request, indeed, urge, that this bill receive favorable consideration by this committee.

The CHAIRMAN. We are glad to have you with us. We would like to ask you a little bit about your statement. It would seem to me that it would be fair for the extra-long staple people as compared with the ordinary cotton crops, to give them the same status that we have given to the other crop producers.

Mr. MORRIS. That is what I am attempting to do in this bill and what I believe the legislation does.

The CHAIRMAN. There are two items that I want to ask you about. You say in your statement, at the bottom of page 2, that these payments would be limited to an acreage not in excess of the 1966 acreage allotment. The 1966 acreage allotment is, in my judgment, and I think in the judgment of this committee, unfair, and that it could be increased by something like 45,000 acres if the legislation already passed by this committee, which would give to your growers anything heretofore allocated to those countries with whom we have no diplomatic relations at the present time. Have you put this in here because you have given up all hope on the passage of that bill?

Mr. MORRIS. No. I put it in there, because I felt that not being a member of this committee, I should deal with each piece of legislation separately as I feel about it. I have not given up hope on the legislation of which you speak. And I do not intend to, but at the same time, I do not want to hinge helping out our extra-long staple cotton producers on this piece of legislation.

The CHAIRMAN. If we put that provision into this bill, would it not give those who are seeking help to find a way—and I understand that there are those in the other body who are seeking some kind of an excuse for continuing to buy cotton from Egypt which should be coming from New Mexico and Texas and Arizona—that there are those who are seeking to find an excuse to continue to buy such cotton. Does not this give them a pretty good excuse if you were to pass that with this limitation in here with the provision that no benefit would come to our American grower? You would not get any increase under that bill, if we passed this one. And if we passed the next one there would not be any benefit to anybody.

Mr. MORRIS. I see the chairman's point. It just goes to show that I am, probably, not quite as far ahead as the chairman of this committee is. And I would agree with what he says. It would be quite proper that it be changed; I have not really thought of it in the terms that the chairman of the committee has called to my attention.

The CHAIRMAN. We passed, we feel, a good bill heretofore.

Mr. MORRIS. Yes, sir.

The CHAIRMAN. And we think that the other body ought to pass it.

Mr. MORRIS. Yes, sir.

The CHAIRMAN. And I hope they will.

Mr. MORRIS. I certainly hope that they will, too. It is unfortunate that one of the key sponsors of the bill has had a very serious operation which was yesterday. In every respect, however, he is getting along well now, and hopefully that he will be back to duty soon.

The CHAIRMAN. Are there any questions of our colleague?

Mr. GATHINGS. Yes, if I may say this off the record.

The CHAIRMAN. Yes.

(Discussion off the record.)

The CHAIRMAN. Back on the record. Are there any questions? Mr. McMillan.

Mr. MCMILLAN. I do not know of any Members of Congress who takes a greater interest in agriculture than the Representative from

New Mexico. I would like to state for the record that I am for my colleague's bill and anything else he desires from this committee.

Mr. MORRIS. I thank the distinguished gentleman from South Carolina.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. I would like to say how delighted I am to have the gentleman from New Mexico come to our committee. He has always been very gracious when I visited his subcommittee.

I would like, also, to observe that I have been here a little over 3 years. Some years ago I was repeatedly told about how my cotton was going into the loan and that the western cotton was not going into the loan. And I just want to say that I am learning something every day. And I learned today that this extra-long staple cotton has been going into the Commodity Credit Corporation stocks, instead of the market. I just wonder how long this has been going on.

Mr. MORRIS. You see, extra-long staple cotton that we are speaking of, under this bill, does not compete with any other cotton that is grown in the United States. Its competitor is cotton that is grown in Egypt and in the Sudan and some in Peru, and in a few other countries. And the reason that the competition is there is that we have let those countries come in and absorb our domestic markets.

Mr. O'NEAL. I especially noted that you said that the purpose of this bill is to restore the normal relationships with other countries. What did you have in mind when you speak of normal relationships?

Mr. MORRIS. What happended when you passed the Food and Agriculture Act of 1965 is that you put the price of upland cotton at the support price, at approximately 90 percent of the world market price, but the extra-long staple cotton support price was still at the higher level. So that in effect, really, what we are trying to do is to lower the price support on extra-long staple cotton.

Mr. O'NEAL. As I understand it then, you propose to reduce the loan rate and to substitute direct payments in lieu thereof?

Mr. MORRIS. That is correct.

Mr. O'NEAL. That is pretty much like the crude pine gum act that you are familiar with, are you not?

Mr. MORRIS. I am afraid that I am not familiar with the crude pine gum act.

Mr. O'NEAL. The crude pine gum act that passed the Senate and is over here.

Mr. MORRIS. I am sorry I am not familiar with that.

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

The CHAIRMAN. Are there any other questions?

Mr. Purcell?

Mr. PURCELL. I, too, am proud of my relationship with the gentleman before us. I want to be on the record as joining with what Mr. O'Neal said and what others have said, because this gentleman really comes from my part of the country. We are glad to have you here, and I look forward to further kind treatment from the Senator.

Mr. MORRIS. I thank the gentleman from Texas. I assure you that he and my other colleagues, as long as I am here, that you will receive the same kind of treatment from me that you have in the past.

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

The CHAIRMAN. Are there any otner questions of Mr. Morris? If not, we are very much obliged to you, Mr. Morris.

Mr. MORRIS. Thank you, Mr. Chairman. I appreciate your courtesy.

The CHAIRMAN. We will next hear from Congressman White from Texas. We will be delighted to hear from you now.

STATEMENT OF HON. RICHARD C. WHITE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. WHITE. Thank you, Mr. Chairman, for this opportunity to appear before the committee.

It was my pleasure to join with my colleagues from New Mexico and Arizona in the sponsorship of H.R. 15098. We represent an area with a community of interest in a very special type of cotton, a product which is virtually limited to our area in the United States, known as "extra-long-staple cotton." This cotton is used to produce some of the finest fabrics that can be manufactured, and has vital uses in both manufacturing and national defense.

Recently I had occasion to visit in South Vietnam, and this is a vital enterprise in their operation.

It is therefore vital to the welfare of this country that the production of this fiber be not curtailed, and that foreign producers are not permitted to take over the market because inequities have driven our own producers out of business.

No agricultural group in this Nation has tried harder to establish free and competitive markets for its products than have these producers of extra-long-staple cotton. They have organized themselves into a marketing-association with each producer contributing to its support. They have made the name "SuPima" a recognized mark of quality throughout America and much of the world. Time after time, they have asked Congress to reduce the price-support level for their product, so that it might move more freely on the open market, rather than into Government stocks.

The legislation we are considering here today is directed toward this same end. Witnesses for the producers themselves will explain for this Committee how the proposed bill will serve to reduce Government stocks and reestablish the competitive position which this produce once enjoyed.

You are being asked to do for extra-long-staple cotton what you have already done for upland cotton—to reduce the reliance upon price supports and apply the efforts of Government toward the free movement of extra-long-staple cotton on the open market. Government efforts in support of cotton farmers are wasted if they result only in the movement of more and more cotton into Government stocks. The legislation we are considering today is intended to help establish and sustain free enterprise.

Gentlemen, the figures which will be presented to you will show that this can be accomplished at an actual saving to the Government. Whereas, the cost to Government under the present long-staple cotton program ranges from $14 to $16 million in the present fiscal year; if H.R. 15098 is adopted, expenditures will be about $2.5 million while present stocks are being disposed of and about $10.4 million thereafter. This is an opportunity then, for this committee to sustain farmer income, to reduce Government stocks, and to help establish markets that are essential to the future of the industry.

I would like to assure you, Mr. Chairman and members of the committee, that my constituents who are supporting this bill are interested in selling their fine product, all over the world. Complications of the present cotton legislation are restricting their markets and increasing their reliance upon Government price supports. This is a condition we would like to end, and we respectfully ask your support for our position.

The CHAIRMAN. Thank you very much, Mr. White. We are always glad to have you come before this committee. You always have shown a great interest in agriculture. We are glad to have you here on this subject. Are there any questions of Mr. White? You must have convinced the committee with your argument.

Mr. WHITE. Mr. Morris is the expert on cotton in the House on the nonagricultural committee side. And I am sure that he has answered most of your questions.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. If I understand you, Mr. White, the present program, with the price support by way of the loan, is 14 to 16 million dollars a year—is that what it is costing us?

Mr. WHITE. Yes, as I understand it.

Mr. O'NEAL. Under this plan, by reducing the loan rate and substituting direct payments in lieu of the higher loan rate, the expenditures, you say, will be $2½ million, while the present stocks are being disposed of, and about $10.4 million thereafter?

Mr. WHITE. Yes, sir; that is my understanding.

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

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

Mr. WHITE. Thank you.

The CHAIRMAN. I believe that the first witness we have scheduled for the cotton growers group is Mr. Grover Chappell, Staff Economist of the U.S. Department of Agriculture. We will be glad to hear from you now, Mr. Chappell.

STATEMENT OF GROVER C. CHAPPELL, STAFF ECONOMIST IN THE OFFICE OF THE SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Mr. CHAPPELL. Mr. Chairman, members of the Committee on Agriculture: My name is Grover Chappell; I am a staff economist in the Office of the Secretary of Agriculture. I am accompanied by Joseph A. Moss, director, cotton policy staff, A.S.C.S., U.S. Department of Agriculture. A bill similar to H.R. 15098 was introduced in the Senate as S. 2722, and on August 18, 1967, we submitted a report thereon to the chairman of the Senate Committee on Agriculture and Forestry. We reported favorably on that bill. This bill, H.R. 15098, would provide legislation for extra-long staple cotton which would be similar in may respects to the legislation currently in effect for upland cotton. In our opinion, the bill, if enacted, would strengthen and stabilize the extra-long staple cotton industry.

It would appear to us that the action taken by Congress to create the one-price system for upland cotton virtually requires that similar action be taken for extra-long staple (ELS) cotton. If this is not done, we estimate that within a year or two, U.S. grown ELS cotton will have lost about one-half of its domestic market, not to foreign grown cotton, but to the longer staples of U.S. grown upland cotton and manmade fibers.

The bill would correct the existing imbalance in price between longer staple upland cotton and extra-long staple cotton and would permit U.S. extra-long staple cotton to more effectively compete with upland cotton, manmade fibers, and foreign-produced extra-long staple cotton. At the same time, grower income would be protected and strengthened. I shall direct my remarks primarily to recent developments pertaining to U.S.-grown extra-long staple cotton and to economic aspects of the proposed bill, including the probable impact of the bill on future supplies, offtake, prices, and Government expenditures for the price support program for extra-long staple cotton.

Before we get into detail of the provisions of H.R. 15098, I would like to review some background material for ELS cotton.

Extra-long staple cotton is grown in the United States, mainly in Texas, New Mexico, and Arizona. Acreage allotments and price support programs have been in effect continuously since 1954, and these programs are carried out independently of upland cotton programs. In table 1, acreage allotments by States are shown. The 1968 allotment, at 70,500 acres, is less than one-half of the peak of 149,880 acres in 1963. Production also reached a peak in 1963, totaling 161,200 bales, but dropped to 68,300 bales in 1967—reflecting a reduction in acreage allotments because of declining use and the build-up in stocks.

Production of domestically-grown ELS cotton has exceeded combined mill consumption and exports each year since 1962/63. Estimated stocks of over 200,000 bales next August are up sharply from around 64,000 bales in 1962–63, and equal to over 2 years' offtake.

The detail on this is shown on table 2.

The Commodity Credit Corporation (CCC) has acquired nearly one-third of production in recent years, and next August CCC stocks may total around 170,000 bales, including about 30,000 bales of ex-stockpile cotton.

The detail here is shown in table 3.

Mill consumption of U.S. grown ELS cotton declined from over 90,000 bales in 1961–62 and 1962–63 to 64,000 bales in 1966–67. Use this crop year is running below last year. Use has trended downward in recent years mainly because of increasing competition from manmade fibers and from longer-stapled upland cotton, reflecting a drop in prices for these competitive fibers in relation to ELS cotton.

Exports of ELS cotton have generally remained at a low level in recent years. Exports have been small in spite of Commodity Credit Corporation sales of ELS cotton for export at world price levels. Most exports have been financed under Public Law 480. Foreign textile mills apparently are not familiar with the characteristics of U.S.-grown ELS cotton and have been uncertain about the availability of future supplies. Thus, very little of U.S.-grown ELS cotton has been bought by foreign mills for dollars.

Prices for ELS cotton have shown some downward trend since the early 1960's. Lower prices have resulted from a reduction in the average price support for ELS cotton, in an attempt to remain competitive with longer-stapled upland cotton and manmade fibers. However, while the average price support for ELS cotton dropped from 53.17 cents in the early 1960's to 47.00 cents in 1967, the support price for upland cotton (Middling 1-inch) dropped from 33.04 cents per pound to 20.25 cents. Market prices for upland cotton declined sharply with the lower support level. At the same time, the price of polyester fiber dropped from about $1.15 per pound to about $0.60 per pound.

And the details on these price trends are shown in table 4.

With the accumulation of surplus inventory ELS cotton, CCC expenditures are increasing. Expenditures for the current fiscal year will probably total about $8 million. This would represent about one-half of the estimated value of production of around $16 million.

I would now like to turn to the major modifications that H.R. 15098 would make in the program now in effect for U.S.-grown extra-long staple cotton. They are as follows:

1. The minimum national marketing quota could not be less than the August 1, 1967, import quota for foreign-grown extra-long staple cotton (82,480 bales).

2. The loan level of domestically-grown ELS cotton would be based on the loan level for Middling 1-inch upland cotton (from 1.5 to 2 times the upland level, but not less than 35 cents per pound). The loan level, plus additional price support payments, would provide price support of not less than 65 percent of parity.

3. Certain provisions relating to the sale of extra-long staple cotton by CCC would be liberalized.

4. Farm allotments for ELS cotton could be transformed from farm to farm within a State.

5. Since the bill would provide for a one-price system for ELS cotton, it would eliminate the need for the special export program for this cotton.

In table 5, comparisons of the proposed bill and a continuation of the present program are shown. Under the current program, mill consumption of ELS cotton would likely continue a downward trend. If allotments were maintained at the 1968 level of 70,500 acres, which would seem to be a minimum level in order for the industry to survive, production would remain in excess of offtake. In a few years, CCC acquisitions from the crop would rise to around 30,000 bales annually. With this further accumulation of stocks, CCC expenditures would increase sharply and rise to nearly twice the 1967–68 estimate of $8 million.

Under the proposed bill, and with reduced prices, U.S.-grown cotton would be able to more effectively compete in the domestic market with longer-stapled upland cotton, with manmade fibers, and with foreign-grown ELS cotton. Mill use of ELS cotton would rise, and increased production would go into the market, not into CCC stocks. Not only would growers be able to sell their product and compete in the market, but also they would be assured of a reasonable return for their effort.

This bill also would facilitate the orderly disposal of CCC stocks which have been built up under the current program. While stocks are being disposed of, Government expenditures, because of returns from sales of surplus cotton, would total only $5 or $6 million per year. After the surplus stocks have been disposed of, expenditures would consist mainly of producer payments of about $3.5 million. Public Law 480 expenditures could be reduced or eliminated when surplus stocks are gone.

Under H.R. 15098, the loan level is tied to the prevailing level for upland cotton. Thus, with the 1968 support level for upland cotton at around 20 cents per pound, the maximum loan level for ELS would be around 40 cents per pound, while it could not be set below 35 cents per pound. However, producer income would be supplemented by direct price support payments. The combined loan level and direct price support payments could not be less than 65 percent of parity. Based on the effective April 1968 parity of 73.8 cents per pound, the total support would be 47.97 cents a pound. Given a loan rate of 40 cents, the direct price support payment would be 7.97 cents per pound and would be paid on actual production rather than on projected yield.

When surplus stocks were disposed of and the acreage allotment increased, Government outlays would be limited because the bill limits the size of the acreage on which price support payments could be made to the 1966 national allotment of 81,400 acres. Until surplus stocks are eliminated, the national marketing quota could not exceed the import quota of about 82,480 bales. The quota could be raised above the minimum when ELS stocks are reduced to 50 percent or less of estimated domestic consumption and exports. Then the formula that we are using under the present program would be used and could result in a marketing quota above the minimum level.

Under H.R. 15098, CCC would sell a quantity of domestically-grown ELS cotton equal to the shortfall of such cotton (excess of domestic consumption and exports over production) at current market prices. After ELS is no longer considered to be in surplus supply, CCC stocks would be made available at not less than 115 percent of the effective loan rate for that year.

In closing, we feel that H.R. 15098, as proposed by the growers of ELS cotton, is a bill that is vital to the survival of the industry. The Supima Association has carried out an aggressive promotional campaign with assessments of $3 per bale paid in by producer members. We are indeed impressed with the strong efforts by the 4,000 growers of ELS cotton to maintain the health of their industry.

(The tables referred to follow:)

TABLE 1.—EXTRA-LONG STAPLE COTTON: ACREAGE ALLOTMENTS, 1957–68

State	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Arizona	36, 657	35, 050	29, 908	27, 326	26, 831	42, 433	63, 739	48, 342	33, 595	35, 315	30, 599	30, 610
California	616	603	425	424	420	670	1, 005	746	509	546	472	474
Florida	1, 301	1, 020	635	554	491	705	950	536	297	264	198	181
Georgia	135	124	116	132	112	157	217	159	113	117	98	97
New Mexico	17, 522	16, 194	14, 003	12, 478	12, 455	19, 681	29, 725	22, 405	15, 627	16, 402	14, 249	14, 264
Texas	29, 983	27, 829	24, 196	22, 243	21, 893	34, 455	51, 600	39, 133	27, 304	28, 679	24, 846	24, 851
Puerto Rico	3, 143	2, 466	1, 539	1, 619	1, 538	2, 192	2, 644	1, 179	313	77	46	23
Total	89, 357	83, 286	70, 822	64, 776	63, 740	100, 293	149, 880	112, 500	77, 758	81, 400	70, 500	70, 500

Source: U.S. Department of Agriculture.

TABLE 2.—LONG STAPLE (OTHER THAN UPLAND) COTTON: SUPPLY AND DISTRIBUTION, BY GROWTHS, 1930 TO DATE [1]

[In thousands of bales] [2]

Year beginning Aug. 1	Supply													Distribution						
	Carryover Aug. 1					Imports and shipments				Production				Mill consumption [3]						
	Amer. Egyptian	Sea Island	Egyptian [4]	Peruvian	Total [5]	Egypt and Sudan	Peru	Other countries	Total [5]	Amer. Egyptian	Sea Island	Total	Total [5]	Amer. Egyptian	Sea Island	Egyptian [4]	Peruvian	Total [5]	Exports	Total [5]
1930	8.1	1.1	145.5	7.1	161.8	22.9	2.4	1.1	26.4	23.3	([6])	23.3	211.5	15.4	0.4	104.1	4.3	124.1	1.1	125.3
1931	16.7	3.0	63.9	3.2	86.8	81.1	3.5	1.9	86.5	13.7	([6])	13.7	187.0	12.4	.3	79.5	2.2	94.4	.4	94.8
1932	16.5	3.4	68.1	2.8	90.8	67.8	6.1	.5	74.3	8.4	([6])	8.4	173.5	17.8	.9	88.8	1.9	109.4	.5	109.9
1933	9.8	1.6	54.8	1.6	67.7	96.5	3.6	([6])	100.2	9.7	([6])	9.7	177.6	12.5	.3	103.5	1.1	117.4	.5	117.9
1934	7.0	1.4	61.8	.9	71.2	71.2	1.2	([6])	72.4	14.1	([6])	14.1	157.6	11.3	.6	82.2	1.3	95.4	.2	95.6
1935	8.6	.6	48.0	.9	58.2	65.6	1.1	.2	67.0	17.6	0.2	17.8	142.9	21.4	.2	67.0	1.0	89.6	.2	89.7

1936	7.0	[7] .3	41.8	.7	49.7	75.3	1.7	.6	77.6	17.6	.9	18.5	145.7	20.1	.4	77.9	1.3	99.7	.2	99.9
1937	5.5	[7] 1.0	44.8	.7	52.1	43.5	.7	.5	44.8	11.0	4.0	15.0	111.9	6.2	2.0	47.9	.6	56.6	.1	56.6
1938	7.9	1.9	31.3	.6	41.7	47.7	.5	.5	48.8	20.5	4.3	24.8	115.3	18.6	3.2	53.2	(6)	75.0	.2	75.2
1939	10.3	2.9	25.7	.3	39.2	67.2	1.0	.6	68.8	26.8	2.2	29.0	137.0	21.2	3.2	53.9	.8	79.1	.4	79.4
1940	13.7	2.3	38.4	.6	55.1	63.1	3.9	1.4	68.5	32.3	4.9	37.3	160.8	26.9	3.3	60.9	1.6	92.7	.4	93.1
1941	15.7	4.9	45.4	1.2	67.2	83.0	11.3	1.6	95.9	57.9	3.5	61.4	224.4	47.0	4.3	83.9	4.9	140.1	1.0	141.1
1942	24.9	5.3	38.5	2.8	71.5	136.0	3.8	2.3	142.0	73.8	.9	74.7	288.2	49.8	5.7	103.6	4.0	163.1	.0	163.1
1943	36.7	2.6	38.0	1.3	78.6	70.0	5.7	2.0	77.8	59.6	.4	60.0	216.3	43.8	3.3	66.7	2.7	116.5	.1	116.7
1944	65.5	1.7	61.9	2.4	131.5	86.5	9.9	1.5	97.9	8.6	(5)	8.6	238.0	43.5	1.1	65.7	3.2	113.5	.3	113.8
1945	31.6	1.4	58.9	3.6	95.6	69.9	27.8	.2	97.9	4.1	(5)	4.1	197.5	19.5	.5	77.4	10.0	107.4	.0	107.4
1946	5.7	2.0	40.1	6.4	54.1	130.5	39.2	1.6	171.2	2.4	(5)	2.4	227.8	9.5	1.3	106.5	26.4	143.7	.0	143.7
1947	3.7	2.0	54.5	14.5	74.6	98.9	23.2	.1	122.2	1.2	(5)	1.2	198.1	5.2	1.6	119.4	24.5	150.7	3.0	153.8
1948	2.5	.9	33.6	7.4	44.3	99.5	5.0	.5	105.0	3.5	(5)	3.5	152.8	4.4	1.0	87.2	8.4	100.9	.6	101.5
1949	1.9	.7	42.2	1.0	45.8	131.0	20.7	1.0	152.8	3.9	.0	3.9	202.5	2.5	.8	100.3	15.9	119.4	.0	119.4
1950	2.8	.6	58.5	3.2	65.0	109.9	10.9	.4	121.2	62.2	.0	62.2	248.4	34.0	.9	101.7	15.8	152.4	(6)	152.4
1951	21.3	.8	56.1	4.2	82.4	36.6	9.5	(6)	46.1	46.0	.0	46.0	174.5	24.7	.9	45.5	8.4	79.5	(6)	79.5
1952	10.3	1.0	33.1	4.0	48.3	117.5	15.0	.0	132.5	93.5	.0	93.5	274.3	10.6	1.1	76.5	15.0	103.1	(6)	103.1
1953	31.9	.4	58.1	3.4	93.7	83.7	8.4	.0	92.1	64.5	.0	64.5	250.3	6.1	.5	80.1	14.0	100.7	(6)	100.7
1954	102.7	.6	52.9	2.2	158.4	76.6	21.8	(6)	98.4	40.9	.0	40.9	297.7	8.6	.4	85.5	17.1	111.6	.4	112.0
1955	139.9	.8	30.9	5.3	176.9	62.4	23.5	.0	85.9	41.5	--------	41.5	304.3	29.2	2.4	70.6	22.8	124.9	20.3	145.2
1956	106.9	1.6	14.2	7.1	129.8	84.8	8.1	.2	93.1	49.1	--------	49.1	272.0	66.2	3.1	27.6	15.3	112.2	57.9	170.1
1957	31.8	.8	16.4	4.3	53.3	30.3	14.4	.0	44.6	79.7	--------	79.7	177.6	43.9	.5	36.9	18.1	99.4	9.7	109.1
1958	109.4	.7	8.0	3.6	121.7	58.5	25.9	1.0	85.5	81.9	--------	81.9	289.1	45.8	.1	43.7	19.5	109.1	23.5	132.6
1959	123.3	1.4	21.9	5.7	152.3	68.3	14.9	(6)	83.2	69.1	--------	69.1	304.6	56.0	.1	65.1	16.1	137.3	4.2	141.5
1960	132.6	.7	18.6	2.4	154.4	68.2	16.8	.6	85.7	66.0	--------	66.0	306.1	75.5	.1	60.2	12.3	14.81	7.4	155.4
1961	109.6	.7	22.8	5.3	138.3	62.7	21.5	.1	84.2	61.0	--------	61.0	283.6	95.3	.4	56.6	18.3	170.6	7.1	177.7
1962	63.9	.1	[8] 22.0	4.3	90.4	58.7	23.4	.0	82.1	109.8	--------	109.8	282.3	90.4	(9)	49.3	20.9	160.6	2.7	163.3
1963	117.6	.1	[8] 76.3	5.7	199.6	46.1	34.4	.0	[10] 80.4	161.2	--------	161.2	441.2	71.5	--------	50.0	19.3	140.7	1.6	142.3
1964	195.7	.0	[8] 40.1	17.4	253.2	69.6	13.1	.0	[10] 82.7	116.7	--------	116.7	452.6	81.3	--------	48.9	22.0	152.3	21.2	173.5
1965	205.1	.0	[8] 42.3	12.0	259.3	45.1	42.5	.0	[10] 87.6	85.6	--------	85.6	432.5	67.7	--------	47.3	25.9	140.9	5.7	146.6
1966 [11]	235.5	.0	[8] 47.4	[7] 5.5	288.5	52.0	23.0	.7	[10] 75.7	71.2	--------	71.2	435.4	64.3	--------	44.8	25.9	135.0	12.9	148.0
1967 [11]	205.1	.0	[8] 44.1	[7] 4.5	253.8	59.2	23.3	5.7	[10] 88.2	68.3	--------	68.3	--------	--------	--------	--------	--------	--------	--------	--------

[1] Includes American-Egyptian, Sea Island, and foreign-grown cotton. In some years prior to 1962, small amounts of foreign long-staple upland cotton are included.
[2] American in running bales and foreign in equivalent bales of 500 pounds.
[3] Beginning 1950, consumption adjusted to Aug. 1–July 31 marketing year.
[4] Includes Sudanese.
[5] Totals were made before data were rounded to thousands.
[6] Less than 50 bales.
[7] Stocks in mills only.
[8] Foreign stockpile cotton included by the Bureau of the Census as of Aug. 1 was 7,168 bales in 1962, 61,168 bales in 1963, 27,474 bales in 1964, 18,307 bales in 1965, 12,500 bales in 1966, and 884 bales in 1967. In bond cotton is not included; 116,609 bales as of Aug. 1 in 1963, 60,297 in 1964, 38,022 in 1965, and 33,284 in 1966.
[9] Included with American-Egyptian.
[10] Imports for consumption.
[11] Preliminary.

TABLE 3.—U.S. EXTRA LONG STAPLE COTTON: PRODUCTION, LOAN ACTIVITY, PRICES, AND AVERAGE LOAN RATES FOR ELS AND UPLAND COTTON

Year beginning Aug. 1	Production (1,000 bales [1])	Loan activity			Prices (cents per pound)		Loan rates (cents per pound)	
		Placed under loan (1,000 bales [1])	CCC takeover (1,000 bales [1])	Takeover of production (percent)	Average spot price [2]	Average farm price	Extra-long staple	Upland, Middling 1-in.[3]
1961	61.1	16.8	1.8	3.0	58.99	60.40	53.17	33.04
1962	109.8	44.2	21.3	19.4	56.06	53.90	53.17	32.47
1963	161.2	119.2	96.0	59.5	54.46	52.60	53.17	32.47
1964	116.7	52.1	29.0	24.9	50.79	49.10	49.25	30.00
1965	85.6	39.3	30.3	35.4	50.41	48.10	49.25	29.00
1966	71.2	38.1	22.0	30.9	50.56	48.70	49.25	21.00
1967	68.3	[4] 26.2			[5] 49.50	[6] 46.83	47.00	20.25

[1] Running bales.
[2] Average market price of grade 3, staple 1⅜ inches, at El Paso and Phoenix.
[3] At average location.
[4] As of Apr. 12, 1968.
[5] Average August-March.
[6] Simple average mid-month price August-March.
Source: The U.S. Department of Agriculture.

TABLE 4.—COTTON AND MANMADE STAPLE FIBER PRICES: PRICE OF AMERICAN-EGYPTIAN, AND FOREIGN-GROWN ELS COTTON LANDED NEW ENGLAND MILL POINTS, PRICE OF UPLAND COTTON LANDED GROUP B MILL POINTS, PRICE OF POLYESTER STAPLE FIBER FREE ON BOARD PRODUCING PLANTS, CROP YEARS, 1955–67

[In dollars]

Year beginning Aug. 1	American-Egyptian [1]	Foreign-grown ELS		Upland cotton [4]	Polyester staple [5]
		Egyptian [2]	Peruvian [3]		
1955	0.64	0.67	0.57	0.42	1.58
1956	.72	.71	.68	.40	1.42
1957	.68	.55	.55	.42	1.51
1958	.62	.50	.47	.42	1.50
1959	.60	.54	.51	.38	1.36
1960	.61	.58	.55	.37	1.29
1961	.65	.60	.60	.40	1.17
1962	.61	.57	.58	.40	1.14
1963	.59	.57	.54	.39	1.14
1964	.56	.57	.50	[6] .30	.99
1965	.55	.53	.45	[6] .30	.84
1966	.55	.53	.48	.28	.81
1967	[7] .54	[7] .57	[7] .51	[7] .36	.61

[1] Grade 3, staple 1 7/16 inches. (In 1955, August-April, grade 2, staple 1½ in.)
[2] Karnak, fully good to good, reflect Egyptian Government selling price, 1955–59. Menufi, fully-good to extra, reflect Government selling price, 1 7/16 in., 1960 to date.
[3] Pima, grade 1, 1⅝ in.
[4] Strict Middling 1 1/16 in., group B mill points ÷ 0.96, to convert to a net-weight basis.
[5] 1.5 denier. Calendar year.
[6] Beginning August 1964, prices are for cotton after payments of 6.5 cents per pound have been made (5.75 cents beginning August 1965). Payments eliminated beginning August 1966.
[7] August-March average.

Source: Prices of extra-long staple are collected from trade sources. Upland price from U.S. Department of Agriculture and polyester price from Modern Textiles magazine.

TABLE 5.—EXTRA LONG STAPLE COTTON: ESTIMATES OF BASIC DATA FOR 1967, 1968, AND 1969

Item	Present law			H.R. 15098	
	1967	1968	1969	1968	1969
	(1)	(2)	(3)	(4)	(5)
Acreage (thousands):					
Allotted	70.5	70.5	70.5	77.3	77.3
Planted	69.5	68.5	68.5	[1] 68.5	76.0
Harvested	67.5	67.5	67.5	67.5	75.0
Yield: Pound per acre harvested	490.0	550.0	560.0	550.0	560.0
Supply and utilization (1,000 bales):					
Production (in-season ginnings)	68.0	77.0	79.0	77.0	88.0
Beginning stocks (including preseason ginnings)	219.0	[2] 224.0	242.0	[2] 224.0	196.0
Imports and city crop [3]	88.0	86.0	86.0	80.0	80.0
Domestic disappearance	130.0	120.0	115.0	160.0	165.0
Exports	25.0	30.0	30.0	30.0	30.0
Sale of ex-stockpile cotton	4.0	5.0	5.0	5.0	5.0
Ending stocks	224.0	242.0	267.0	196.0	174.0
Support price per pound (average of crop)	$0.47	$0.47	$0.47	$0.40	$0.40
Price support payment rate				7.97	7.97
Producer payments				2.9	3.4
Farm value of production (million dollars)	16.0	18.1	18.6	15.4	17.6
Total (million dollars)	16.0	18.1	18.6	18.3	21.0
Major receipts or expenditures (million dollars):					
Net change in stocks at loan rate	−1.2	−4.2	−5.9	+5.6	+4.4
Storage, handling, and loan settlement	−.5	−.5	−.6	−.5	−.4
Price support payments				−2.9	−3.4
Public Law 480	−6.6	−8.0	−8.0	−6.9	−6.9
Estimated major expenditures	−8.3	−12.7	−14.5	−4.7	−6.3
Change in CCC stocks (1,000 bales) (from June 30 of prior year)	+5.0	+18.0	+25.0	−28.0	−22.0
Public Law 480	[4] 25	[4] 30	[4] 30	[5] 30	[5] 30

[1] Legislation would be enacted too late to affect 1968 plantings.
[2] Excludes stockpile cotton.
[3] Including 3,000 bales of Tanguis.
[4] At 265.
[5] At 230.

Note: The above estimates were based on the very limited data currently available. They indicate the trend that would occur in consumption, exports, and imports, but may not indicate the exact magnitude of change at various price levels. The estimates are subject to change as additional data become available.

The CHAIRMAN. Thank you, Mr. Chappell. With reference to next to the last paragraph on page 7, you paint a very encouraging picture, one that I hope will actually come about. Is it not more likely to happen with more certainty, with more positiveness, if the other body passes the legislation that this body has passed in regard to the importation of cotton from countries that do not have diplomatic relations with the United States?

Mr. CHAPPELL. Yes, sir.

The CHAIRMAN. Thank you. Are there any other questions?

Mr. Gathings.

Mr. GATHINGS. Mr. Chappell, I wish you would state for the record the difference between extra-long staple cotton and upland cotton, where it is grown, and the climatic conditions under which it is grown, and what the facts are that would distinguish the two types of cotton, and the uses of it.

Mr. Chappell. To the best of my ability. We usually consider extra-long staple cotton to be cotton which staples at least 1⅜ inches. There are other ways to define the cotton by its biological materials, but I am not quite familiar with those myself. We can supply those for the record.

This kind of cotton is grown mainly in the West, in the three States that I mentioned, New Mexico, Arizona, and Texas. There is a little grown in California.

It is grown mainly under irrigated conditions. This cotton is used to make the finer combed yarns that go, as was mentioned earlier, into raincoats and some other fine garments. Some of it is used in making sewing thread. Its use is, apparently, being threatened by the lower price for upland cotton, especially the longer staples of upland cotton, which has been reduced in price when we moved to the one-price system.

Mr. Gathings. Is the growing season any different between extra-long staple cotton and that of upland cotton?

Mr. Chappell. Yes, sir. Extra-long staple cotton requires an extended growing season. As I understand it planting begins from mid to late March and is, perhaps, concluded by now. And the harvest does not begin until about November, indicating a rather longer growing season than is required for upland cotton.

Mr. Gathings. Is there any difference in the cost of production of extra-long staple cotton than that of upland cotton? Are you familiar enough with that problem to give us a statement on that?

Mr. Chappell. I think so, yes, sir. There are some additional costs in producing extra-long staple cotton. For one thing, the yield of extra-long staple cotton is generally less than it is for upland cotton. And this, in itself, would make for higher costs of production per pound.

Mr. Gathings. And the production of extra-long staple cotton is a very small part of the overall production of cotton in the Nation.

Mr. Chappell. Yes. Certainly, the production of extra-long staple cotton is a very small portion of the total cotton produced in the United States and it is grown mainly in certain sections as mentioned.

Mr. Gathings. To go to another point. And the grower is being voluntarily assessed at this time $3 a bale for the purpose of domestic promotion of supima cotton?

Mr. Chappell. Yes, sir. Perhaps that has been a factor in encouraging the producers of upland cotton to recently shift to a similar program where they have assessed themselves an amount of $1 a bale.

Mr. Gathings. And it works fine. I have no further questions, Mr. Chairman.

The Chairman. Thank you, Mr. Gathings. Mr. Kleppe.

Mr. Kleppe. Mr. Chairman, we do not raise a great deal of cotton in North Dakota, so I do not know very much about it, but I do have a question that I would like to ask. Perhaps I should not ask it of you.

I suspect that extra-long staple cotton is a particular strain of cotton differentiated from upland cotton. My real question is this, when this cotton is planted by the extra-long staple cotton farmers, do they always get 1⅜ inch cotton?

Mr. Chappell. No, sir. A small percentage will not measure up to that length. And on that cotton we offer no price support loan.

Mr. Kleppe. So they start out with extra-long staple cotton and they may not get extra-long staple cotton when the crop comes in, is that correct?

Mr. Chappell. That is right.

Mr. Kleppe. And the cotton does not meet those specifications and it does not therefore qualify under the price support program?

Mr. Chappell. That is right.

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

The Chairman. Mr. O'Neal.

Mr. O'Neal. Mr. Chappell, I believe you and Congressman White, both of you, are saying the same thing, that is, by reducing the loan rate, by making direct payments that you would reduce the cost to the Government, is that correct?

Mr. Chappell. Yes, sir.

Mr. O'Neal. I do not think your testimony says what the present program costs. Do you know what it is costing?

Mr. Chappell. In table No. 5, we estimate under the present program that $8.3 million will be the expenditure in the current year, 1967–68.

We estimate that this would increase to $14.5 million in 1969.

Mr. O'Neal. Which is the same period that Congressman White made reference to.

Mr. Chappell. Very close.

Mr. O'Neal. On page 6 of your testimony you say that by reducing the loan rate and making direct payments that the cost would only be 5 or 6 million dollars per year, while the Government stocks were being sold, and after that the cost to the Government would be as low as $3½ million?

Mr. Chappell. Yes, sir. That would assume that after the surplus stocks were gone that no cotton would be programed under Public Law 480, none of this extra-long staple cotton. If we continue to program it under Public Law 480 the cost would rise above that figure.

Mr. O'Neal. In any event, it would save money for the Government by doing it this way?

Mr. Chappell. Yes, sir.

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

The Chairman. Are there any other questions of Mr. Chappell? If not, we are very much obliged to you, Mr. Chappell.

Our next witness will be R. T. Hoover, Jr., El Paso, Tex., representing American Cotton Shippers Association, who is accompanied by Neal P. Gillen, vice president of the American Cotton Shippers Association. We will ge glad to hear from you, Mr. Hoover.

STATEMENT OF R. T. HOOVER, JR., AMERICAN COTTON SHIPPERS ASSOCIATION, ACCOMPANIED BY NEAL P. GILLEN, VICE PRESIDENT

Mr. Hoover. Mr. Chairman and members of this distinguished committee: I am Robert T. Hoover, Jr., of El Paso, Tex., president of the R. T. Hoover & Co., Inc, cotton merchants handling cotton for producers in west Texas, New Mexico, and Arizona for the past 35 years.

I am appearing on behalf of the American Cotton Shippers Association, and I am accompanied by Neal P. Gillen, vice president of the association.

The American Cotton Shippers Association was founded in 1924 and is basically comprised of merchants, shippers, and exporters of raw cotton who are members of six federated associations, located in 14 States throughout the cotton belt:

Arkansas-Missouri Cotton Trade Association, Atlantic Cotton Association, Oklahoma State Cotton Exchange, Southern Cotton Association, Texas Cotton Association, Western Cotton Shippers Association.

H.R. 15000 and 15098 are two of four bills pending in the Congress which would benefit the producers and consumers of American extra long staple cotton.

We appear here today in support of H.R. 15000, which will bring about the proper price adjustments necessary to increase the demand and the marketability and sales of American grown extra long staple cotton. The American producers of this cotton will for the first time be given the opportunity to compete effectively with foreign growths and man-made fibers.

To accomplish these ends H.R. 15000 will authorize the Secretary of Agriculture to reduce the loan level of extra long staple cotton from 47 cents per pound to about 35 to 40 cents per pound in 1968 and succeeding crop years. Payments will be made to the producers in amounts from 9 cents to 19 cents per pound on cotton produced, and a total price support of not less than 65 percent of parity would be provided.

The national acreage allotment of American extra long staple cotton—for 1968—will be increased from 70,500 to 77,300 acres, and the transfer of farm allotments will be permitted within States. There will be made available by the Commodity Credit Corporation for sale at current market prices a quantity of extra long staple cotton equal to the shortfall of each cotton—excess of domestic consumption and export over production. A national marketing quota will be established at a figure no smaller than import quotas now in effect, about 82,480 bales of 500 pounds each.

The bill also authorized the Secretary of Agriculture to make payments in cash or in kind to protect any handlers or consumers of extra long staple cotton who have raw cotton stocks on hand on the effective date of this legislation. The legislation can effectuate a price decrease of about 10 cents per pound. Mr. Chappell said that according to the latest figures about 7.47 cents a pound would be the figure. As the average net weight of a bale of cotton is about 480 pounds, the price decrease will be equivalent of $48 per bale.

If a bale weighs 500 pounds, the net weight is 480 pounds, the balance being for the bag.

H.R. 1500 which our association supports, gives a more equitable treatment to the farmer, the merchant and the mill than does H.R. 10864 (S. 2722) in that it includes an inventory or stock protection feature. I quote from page 5 of the bill, line 17, the sentence which reads as follows:

> The Secretary is further authorized and directed to make equivalent payments in cash or in kind on domestic extra long staple cotton held in private inventory on August 1, 1968, in order that such cotton shall be available for consumption at a price consistent with a price objective of this section.

Without the protection found in section 2 of H.R. 15000 anyone with American extra long staple cotton stocks on hand on the effective date of the legislation will suffer an extraordinary loss of about $48 per bale. At the present time the USDA estimates that on August 1, 1968, free stocks—cotton held in private hands, or cotton not owned by the U.S. Government—are expected to be between 15,000 and 20,000 bales of American extra long staple cotton. The USDA made this estimate assuming that legislation will be enacted by the Congress. On August 1, 1967, there was 31,695 bales of American extra long staple cotton in private hands, and presently there are 26,596 bales of American extra long staple cotton in private hands. The figure for August 1, 1967, is a realistic picture of the inventories that would be in private hands under normal circumstances. The legislation under consideration, and the other pending bills, have affected the market.

Using an estimated inventory loss per bale of $48 and assuming the inventories of private stock of August 1, 1968, to be 15,000 bales minimum or 20,000 bales average, we calculate the total inventory loss to be:

Date	Bales on hand	Loss/bale	Total
Aug. 1, 1968	15,000	$48	$720,000
	20,000	48	960,000

The effective date of the legislation is of extreme importance to the American producers, merchants, and mills. When other similar legislation which did not have the inventory protection feature was introduced, it was anticipated by the authors that the effective date would be on August 1, 1968, and the producers, merchants, and the mills would have sufficient time from say December 1, 1967, until August 1, 1968, to deplete their stocks and be in a position to buy reduced priced cotton from the Government on or after August 1, 1968. Since that time many months have passed, and domestic markets for American-Egyptian cotton have dried up. Producers have not been able to dispose of the 1967 cotton, a large part of which is presently in the loan program. Merchants have not been able to sell their inventories, and mills have not been able to book new business. The market is at a complete standstill, and will probably continue to be so, until new legislation is enacted.

If the bill were to be enacted into law tomorrow, there would not be sufficient time between then and August 1 to dispose of the inventories. If the legislation contains an inventory protection feature, August 1 is not too soon for the effective date. If it fails to have an inventory protection feature, the effective date should not commence until about October 15, 1968. This would give mills and merchants a more reasonable time to put their stocks in order.

If the consumers of American extra long staple cotton are to be assured of continuing adequate supplies of cotton, the trade cannot be expected to completely deplete its inventories to avoid extraordinary losses brought about by the price decrease. The only way to assure that continuing stocks will be available, is to enact a stock protection clause as provided in sec. 2 of H.R. 15000. Otherwise, the marketing process will be severely upset, and normal trading practices completely dislocated. This is the sad state of the market today.

We already have evidence of the market being distorted since S. 2722 was amended to H.R. 10864 by the Senate on December 11, 1967. At the time of Senate passage, there was a good market in this country for American extra long staple cotton. Prices were well above the loan, about $15 per bale over the loan for all qualities, grade five and higher. Today, there is little, if any, market for American extra long staple cotton, and it is entering the Government loan in ever increasing quantities.

Under normal circumstances, a large percentage of this cotton would have been sold before July 31 (the cutoff date for withdrawing new crop cotton from the Government loan). Except for some fill-in business, little, if any, of this cotton will sell, and the portion remaining will finally be acquired by the Government on July 31.

The question arises at this point, who will bear the cost of the protection afforded by section 2 of H.R. 15000. If a stock protection clause is not enacted, the cotton will enter and remain in the loan with the CCC absorbing the cost of the carrying charges. Also there will be an additional loss to the Government when the cotton is sold by the CCC after the price decrease becomes effective on August 1, 1968, or some later date. Mills who normally would have bought from this crop for delivery and consumption as far forward as January 1969, will attempt not to buy for consumption past mid-August because the eventual purchasers of the finished yarn and cloth have curtailed their orders anticipating cheaper prices.

Long time regular users of American extra long staple cotton have told me in recent weeks that they have practically stopped using this cotton because the market is upset by the uncertainty of the value of their inventory of raw cotton on the effective date of this or other legislation effecting American-Egyptian cotton.

If the stock protection clause is enacted, with the use of a payment in kind certificate, the expense to the CCC will be increased little if any. The PIK certificate would be issued to holders of ELS cotton (domestically produced). These certificates would entitle the holders to apply them in payment for purchases of ELS cotton from Government surplus stocks. Thus the inventory adjustment would be financed by cotton and not by cash. The rebuilding of inventories to normal levels will take place at the reduced price level, whether the price is reduced by the use of PIK certificates or simply a sale from CCC stocks at the reduced price level. In either case, the cash budget of the Treasury will not be increased.

There is ample precedent for inventory protection as found in the 1964 upland cotton program. H.R. 6195. (Public Law 88–297, April 11, 1964) provided for the protection of inventory of upland cotton when the legislation brought about a drop in the market price of American upland cotton to make it more competitive in world markets. This was fair and beneficial to all concerned as it enabled normal marketing processes to continue without an interruption.

This legislation will also have the effect of making American extra long staple cotton equally competitive in the market place with the foreign growths which now enjoy almost 60 percent of the U.S. market.

Under the heading "Extra-long-staple cotton," in the crop year. August 1966, through July 1967, American-Egyptian cotton was about 47 percent of the total; and from August 1967 to March 1968, it was only 41 percent of the total that has been consumed.

The ACSA strongly believes that our domestic producers of extra long staple cotton should be given the opportunity to meet this competitive challenge. Our consumers of American extra long staple cotton should be entitled to the same protection as that afforded the consumers of American upland cotton by Public Law 88-297. We feel this legislation will accomplish the desired end.

The members of our association, over the years, have sought out markets and new uses for this American extra long staple cotton, and we would hope the committee, in its wisdom, would see fit to recommend to the House of Representatives the enactment of H.R. 15000, which includes equitable protection for inventories held by the cotton industry.

We further believe that this legislation will afford an orderly marketing and consumption of extra long staple cotton to the benefits of the producers, merchants, textile mills, and the consumer.

We thank you for giving us this opportunity to appear before your committee.

(The resolution, together with the two tabulations are as follows:)

AMERICAN COTTON SHIPPERS ASSOCIATION BY ACTION OF ITS NATIONAL AFFAIRS COMMITTEE AND ITS BOARD OF DIRECTORS ON DECEMBER 19, 1967

Resolved, That the purposes of Sections 4, 5, 6, 7 & 8 of H.R. 10864 (corresponding to Sections 1 through 5 of H.R. 15000), would bring about the proper price adjustment necessary to increase the demand, and thus the marketability and sales of American grown extra long staple cotton.

That the American producers of this cotton would have an opportunity to compete effectively with foreign growths and man made fibers.

However, the American cotton trade, who have over the years sought out markets and new uses for this American grown extra long staple cotton, should not be penalized by the 10 cents a pound decrease in price brought about by this legislation.

Therefore, the American Cotton Shippers Association petitions the Congress of the United States to amend this legislation to permit those who have stocks in hand on the effective date of this legislation to be protected from the price drop by having the CCC make payments through the issuance of payment-in-kind certificates to make up the difference brought about by the arbitrary decrease in price.

EXTRA-LONG-STAPLE COTTON CONSUMPTION,[1] 1966–67

Month	Year	Am. Egyptian	Sudanese and United Arab Republic	Peruvian	Total bales consumed
August	1966	5,490	3,196	2,156	10,892
September	1966	6,335	4,094	2,475	12,904
October	1966	5,310	3,337	2,021	10,668
November	1966	4,920	3,295	1,959	10,174
December	1966	5,507	4,423	2,131	12,061
January	1967	5,300	3,837	1,904	11,041
February	1967	5,047	3,681	1,919	10,647
March	1967	5,693	4,548	2,495	12,738
April	1967	5,070	3,684	2,106	10,860
May	1967	5,711	3,969	2,504	12,184
June	1967	6,219	4,336	2,667	13,222
July	1967	3,475	2,226	1,535	7,236
Total		64,077	44,626	25,872	134,575
August	1967	4,173	3,664	1,304	9,141
September	1967	4,631	3,970	1,934	10,535
October	1967	3,968	3,689	1,706	9,363
November	1967	4,484	5,056	1,941	11,481
December	1967	4,513	5,327	1,993	11,833
January	1968	4,874	5,629	1,848	12,351
February	1968	4,321	4,606	1,682	10,609
March	1968	4,265	4,480	1,465	10,210
Total		35,229	36,421	13,873	85,523

[1] Foreign cottons are 1⅛ inch and longer. American cottons are 1⅜ inch and longer.

Date	American extra long staple cotton held by textile mills	American extra long staple stocks at warehouses and compresses	CCC stocks of American extra long staple cotton	Total stocks American extra long staple cotton	United Arab Republic and Sudanese extra long staple cotton held by textile mills	Peruvian extra long staple cotton held by textile mills	United Arab Republic and Sudanese and Peruvian extra long staple cotton at warehouses and compresses	Total stocks United Arab Republic, Sudanese and Peruvian extra long staple cotton
Aug. 1, 1967	17,746	31,695	173,400	205,095	12,356	4,532	31,775	48,663
Nov. 25, 1967	10,903	56,133	159,000	215,133	26,996	7,734	40,880	75,610
Dec. 30, 1967	11,359	59,466	162,000	242,770	33,258	8,631	32,545	74,434
Mar. 1, 1968	12,921	15,708	171,000	234,700	30,701	8,897	29,887	69,485
Apr. 1, 1968	13,839	12,757	171,000	[1] 197,600	27,449	7,758	24,810	60,017

[1] To this total an additional 32,700 bales should be added. These additional bales are on the farm, in transit, and at gins and their ownership is uncertain.

The CHAIRMAN. Thank you.

Mr. HOOVER. May I add here, Mr. Chairman, as to the points brought out in your first question about limiting the amount by which this industry could grow if your bill were enacted, it would be locked in by the limitation here, and I am speaking as a producer and as a merchant and I would not like to see anything locked in. The ideas you have expressed would be incorporated here, that is, I think if they were, I think that they would be an improvement over what we now have, which was drafted at a time when it was not certain what would happen on the other side.

The CHAIRMAN. Thank you, Mr. Hoover. I would say in that connection that it was pointed out to me that I was wrong in regard to my suggestion that should this bill become law, and should the Egyptian bill become law, that this bill would limit the effectiveness of that bill. Mr. West points out that the Egyptian bill has language in it which says that notwithstanding any other provision of law that this quota may be increased. And I, therefore, assume that if this is passed, that it would not probably have the effect I feared. We will have our counsel look into it. We will check it out, because we, certainly, do not want to arrive at a situation that I fear might happen, because I feel that the passage of the bill inhibits the importation from countries that do not have diplomatic relations with us. That is a sound bill. I believe in looking at what the other fellow is doing and setting up our policy in connection with his attitude. This places the whole burden on the other fellow and not on us. And I think that your industry is going down the drain, even though we pass this bill. And we passed the other bill, too. We passed the other bill through the House, as you know, and we have been told time and again that the Senate was going to act on it, but the Senate has not acted.

I am not blaming any individual for that. They have their problems, just as we have our problems. I am still hopeful, however, that they will get around to acting on this bill and passing it, because I think it will do more than this bill will.

This bill, it seems to me, does something, but it does not have any great effect upon the cotton that we sell.

Mr. HOOVER. Am I permitted to ask you a question?

The CHAIRMAN. Yes, sir.

Mr. HOOVER. If your bill passes, and I hope that it does, and there are additional allotments given, and should this bill pass, would that allotment be afforded the payments to the growers that he gets under this bill?

The CHAIRMAN. That is exactly what I want to be sure of. I am saying that there is a question involved there and that our attorneys will look into, and we will try to work that out. That is exactly the thing that I want to be sure of.

Are there any other questions of Mr. Hoover? If there are no further questions, we are very much obliged to you.

Mr. HOOVER. Thank you.

The CHAIRMAN. Our next witness is Mr. J. S. Francis, Jr., President of the SuPima Association of America, of Phoenix, Ariz., who is accompanied by H. M. Richman, honorary chairman of the board, Frank Crew, chairman of the board, and Roger Buddington, manager, of El Paso, Tex. We are glad to have you here, Mr. Francis, and we will be glad to hear from you.

STATEMENT OF J. S. FRANCIS, JR., PRESIDENT, SUPIMA ASSOCIATION OF AMERICA

Mr. FRANCIS. Mr. Chairman and members of the committee, I am a producer and ginner of extra-long staple cotton, residing in Phoenix, Ariz. I am president of the SuPima Association of America, which is an organization representing farmers who produce approximately 80 percent of the extra-long staple production in the United States.

We appreciate the opportunity of presenting this statement to this distinguished committee in support of H.R. 15098.

Before expressing our views on this important bill, I should like to take a few moments to give you a brief background of the SuPima Association.

In 1954, the extra long staple cotton producers in Arizona, New Mexico, and Texas, recognized the need to expand markets for their specialty type cotton. (This extra-long staple cotton, by definition, is produced from pure strain varieties of the Barbadense species having characteristics needed for various end uses for which American upland cotton is not suitable. It is grown in the irrigated areas of the Southwestern United States, has a staple length of from 1⅜ inches to 1½ inches and is ginned on a roller type gin.) After much investigation, meetings and discussion, these extra long staple cotton producers organized the SuPima Association of America. The association emphasized the production of high quality extra long staple cotton in the most efficient manner possible. It was also deemed to be in the best interest of the American mills to have an adequate domestic supply of extra long staple cotton rather than to be completely dependent upon foreign sources. Through an aggressive and outstanding program of research, there has been produced a variety of extra long staple cotton which, according to tests, was shown to be equal or superior to any foreign grown extra long staple cotton.

An advertising and promotional program was instituted by the producers in order to make the country and the world aware of the superior quality of the cotton which they produced. Over $2 million has been voluntarily contributed by the producers to the SuPima program ($3 per bale of extra long staple cotton grown).

Despite these efforts, the long staple cotton producers now find themselves in a position where their acreage has been severely curtailed. It is also likely that the U.S. Government may have to take over additional quantities of this production this year.

Through efforts of the SuPima Association advertising program, we have seen extra long staple acreage allotment increased to a high of 149,880 acres in 1962. Today, we have a national allotment of 70,500 acres, over a 50-percent reduction to American farmers. This reduction in acreage has caused severe economic loss to the extra long staple cotton producers. In terms of dollars, this loss of some 80,000 acres has reduced total grower income by over $20 million per year.

We believe that this reduction in acreage is directly attributable to the reduced price in short staple cotton over the past few years.

During the past 3 years, the price to the users of upland cotton (middling inch) has moved from about the 30-cent level to about the 20-cent level.

During the same period of time, the price of extra-long staple cotton has remained relatively static, moving from slightly over 50 cents to slightly under 50 cents. Now, we were conscious 3 years ago of the relationship between the price of our cotton and short staple and watched closely when the first "one price cotton bill" was passed. When it was passed, we noted that our consumption began to increase, not decrease, and for the market year ending August 1965 our consumption had increased over 14 percent—consumption of upland increased some 9 percent. We were delighted. Now, the "one price cotton bill" was succeeded by the Food and Agricultural Act of 1965. This bill became law the 9th day of November, 1965. With its passage, we noted that our consumption began to drop. Short staple consumption, on the other hand, remained strong. We wondered why. In retrospect, we can now see what happened:

1. When the "one price cotton bill" was passed, all cotton pipelines were almost dry.
2. The price of Egyptian cotton was unusually high.
3. The subsidy at that time was paid into the marketing system at a point beyond the producer, making the price difference not so apparent.

Now, when the Food and Agricultural Act of 1965 was passed, the situation was considerably different:

1. The cotton pipelines were near normal.
2. The price of Egyptian cotton was low, with Peruvian being even lower.
3. The subsidy was paid to the producer, making the difference in cost between our cotton and short staple much more apparent.

Now, that is why price is our problem. But what do we do about it? The solution, to us, was obvious. We had to get our price right. The problem was, "How do we get and keep the price right?"

In 1964, Frank Lowenstein, former USDA staff economist, made a detailed study of extra-long staple cotton for the International Bank for Reconstruction and Development. In this report, he showed that in the United States during the 10-year period, 1953–62, the average price for grade 3 domestic extra-long staple, when expressed as a percentage, was 171 percent of Middling 1-inch cotton. If we update these same grades to a 1956–65 period, we find the difference in percentage is 170 percent.

With this in mind, as a foundation, we developed a program which would do the following:

1. Fix a loan level of No. 3 by 1⅜ inch at between 150 percent and 200 percent of the loan level of Middling 1-inch. These, expressed in cents-per-pound, can be as follows:

Reduce the loan level from its present level to a range of from 35 to about 40 cents per pound and make payments to producers (about 9.0 to 14.0 per pound) on cotton produced. The total price support thus provided for any crop would be not less than 65 percent of parity.

2. The national marketing quota for any year would be no smaller than the import quota now in effect for extra-long staple cotton stapling 1⅜ inches and longer (about 82,480 standard bales). In order to dispose of surplus stocks, the national marketing quota would not be established above the minimum level unless (a) carryover stocks of U.S. grown extra-long staple cotton were reduced to 50 percent or

more of estimated domestic consumption and exports of such cotton and (b) the formula under section 347(b) of the act resulted in a marketing quota above the minimum level.

3. At lower market prices, consumption of extra-long staple cotton would probably increase and eventually the marketing quota would be established at a level higher than the import quota. However, this development would not increase the outlay for payments described in item 1 since, as has been discussed this morning, the bill limits size of the acreage on which payments will be made to the 1966 national allotment (81,400 acres).

4. The national allotment from 1968 is 70,500 acres. The minimum allotment provision described in item 2 would cause the 1968 allotment to be increased to 77,300 acres on the basis of the current national yield.

5. A quantity of American grown extra-long staple, equal to the shortfall of such cotton (excess of domestic consumption and exports over production) would be made available for sale by CCC at current market prices.

6. Farm allotments could be transferred from farm to farm within the State under regulations prescribed by the Secretary.

I would also like to introduce into the record, a section-by-section analysis of the proposed bill.

It contains the shortfall which has been discovered by Mr. Chappell. It contains the provisions and sale of the allotment, which, with your permission, I will give to the clerk of the committee for the record.

The CHAIRMAN. Yes, sir. And without objection, it will be made a part of the record.

Mr. FRANCIS. As to the cost of this program, it will reduce the Government spending on the extra long-staple program. I would like to introduce into the record, a copy of a letter from the USDA, dated December 8, 1967, from H. D. Godfrey to Senator B. Everett Jordan.

It states and I am quoting:

> You also requested our views on program expenditures for extra long staple cotton if the allotment price-support program now in effect (including disposal operations under Public Law 480) is continued. Under these assumptions during the next few years we would expect yields per acre to increase and domestic consumption to decline—due mainly to the unfavorable relationship between the loan level for ELS cotton and that for upland cotton. We estimate that C.C.C. acquisition of cotton through the loan program would increase by 30,000 to 35,000 bales per year at a cost of about $235 per bale. Thus, net fiscal year expenditures would increase to about $14 to $16 million. The sharp increase in expenditures from current levels (about $7.5 million) is due primarily to the increased quantity of cotton which will be acquired by C.C.C. (about $7 to $8 million per year) if the current program is continued.
>
> In addition, you asked for our views on what expenditures with respect to the 1968 and subsequent crops would be if S. 2722 were enacted and the price support loan level were set at 40 cents. We estimate that net expenditures under such a program would be about $2.5 million per year while C.C.C. is disposing of its present stocks and after such stocks have been disposed of would be about $10.4 million per year.
>
> Sincerely yours,
>
> H. R. GODFREY, *Administrator.*

Mr. Godfrey points out that the net fiscal expenditure would increase to about $14 to $16 million if the present program is continued.

I would like to refer to exhibit No. 1 which shows the amount of payment that the farmers could receive under this new proposal. At a price support level of 40 cents per pound, total payments to our farmers would be $3.5 million. At a 35-cent level, payments would be about $5.8 million. Even though our acreage was increased, these payments would be limited to the first 81,400 acres.

This is certainly less than the $14 to $16 million estimate of the USDA.

Gentlemen, the development of H.R. 15098 began almost 2 years ago. The need for this legislation is urgent. This proposal represents the best efforts of extra long staple farmers in an effort to restore equity to our extra long staple cotton industry. It is an honest attempt on our part to develop a sound program.

May I close by respectfully requesting your favorable and prompt action.

(The document entitled "Section-by-Section Analysis of H.R. 15098," exhibit No. 1, and a letter dated December 8, 1967, follow:)

SECTION-BY-SECTION ANALYSIS OF H.R. 15098

Section 1: This section would amend section 347(b) of the Agricultural Adjustment Act of 1938, as amended, to provide a mandatory national marketing quota for extra long staple cotton for 1969 and each succeeding year and would provide for increase of the 1968 national acreage allotment to 77,300 acres to be allocated to States, counties, and farms on a pro rata basis.

Paragraph 1 of section 347(b) would provide that the national marketing quota be a quantity of the cotton described in section 347(a) equal to the estimated domestic consumption plus exports for the marketing year which begins in the year for which the quota is proclaimed, less the estimated imports, plus such adjustment which the Secretary determines is necessary to assure adequate working stocks in trade channels until extra long staple cotton from the next crop becomes readily available without resort to C.C.C. stocks. This formula is the same as the provision of present law. The Secretary may reduce the quota so determined for the purpose of reducing surplus stocks but not below the minimum prescribed under paragraph 2 of section 347(b).

Paragraph 2 of section 347(b) prescribes a minimum quota of not less than the import quota in effect on August 1, 1967, for extra long staple cotton having a length of 1⅜ inches or more established under section 22 of the Agricultural Adjustment Act (of 1933), as amended. Such import quota is 39,590,778 pounds or approximately 82,480 standard bales of 500 pounds gross weight. (See Presidential Proclamation 3251, published in the Federal Register of July 10, 1958, 23 F.R. 5233; 3 CFR, p. 161 of 1954–58 compilation.)

Paragraph 3 of section 347(b) would require that the minimum quota be the quota (thereby precluding any larger quota which might be calculated under the formula in paragraph 1 of sec. 347(b) for the 1969 and each succeeding crop for which the Secretary estimates carryover of American grown extra long staple cotton at the beginning of the marketing year which begins in the year for which the quota is proclaimed (excluding stockpile extra long staple cotton) will be more than 50% of the estimated domestic consumption and exports of American grown extra long staple cotton for such marketing year. This requirement that the minimum quota be a ceiling would not apply for any year for which the carryover of American grown extra long staple cotton so estimated is an amount equal to 50% or less of the estimated domestic consumption and exports of American grown extra long staple cotton for such marketing year. For succeeding years, this paragraph 3 would no longer be operative and the quota would be determined under the formula in paragraph 1 subject to the minimum in paragraph 2 of section 347(b).

Paragraph 4 of section 347(b) would provide that the provisions of paragraphs 1, 2 and 3 of section 347(b) apply to the 1969 and succeeding crops of extra long staple cotton.

Paragraph 5 of section 347(b) would provide for adjustment of the 1968 national marketing quota so as to result in a 1968 national acreage allotment of 77,300 acres. The 1968 national acreage allotment established under present law was 70,500 acres (sec. 722,559, 32 F.R. 14306 Oct. 17, 1967). The new statutory allotment for 1968 was derived by dividing the applicable import quota of 39,-590,778 pounds by the national average yield of 512 pounds per acre of extra long staple cotton for the 1963–66 4-year base period and rounding the resulting 77,325 acres.

Section 2: This section would amend section 101(f) of the Agricultural Act of 1949, as amended, by deleting the provisions establishing a loan level for extra long staple cotton which shall not exceed the same percent of the parity price as for the 1956 crop (75%), but not less than 60% of the parity price. In lieu thereof, language would be added to require price support for the 1968 and succeeding crops of extra long staple cotton through loans at a level which is not less than 50% or more than 100% in excess of the loan level established for Middling 1-inch upland cotton of such crop at average location in the United States(but in no event less than 35¢ per pound). In addition, price-support payments would be required to be made at a rate which, together with the loan level for the crop, would provide a level of price support through loans and payments not less than 65% of the parity price for extra long staple cotton as of the month in which the payment rate is announced. Notwithstanding such requirement as to the level of combined price support, payments would be made on the actual production of extra long staple cotton for a farm on which the acreage planted to extra long staple cotton does not exceed an acreage determined by multiplying the farm acreage allotment by the price-support payment factor established by the Secretary for each crop, or in the case of a farm on which the acreage planted to extra long staple cotton exceeds the acreage so factored but does not exceed the farm acreage allotment, payments would be made on the actual production attributable to the factored acreage. The Secretary would establish such factor by dividing the 1966 national acreage allotment (81,400 acres) by the national acreage allotment proclaimed for the crop except that the factor could not be more than one. It would be the intent to make such payments at the end of harvest on each farm on the basis of satisfactory proof of actual production of all extra long staple cotton on the farm furnished by the producer.

The Secretary would provide for the sharing of such payments among producers on the basis of their shares in the crop. Payments could be assigned in accordance with subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended. C.C.C. would be authorized to utilize its capital funds and other assets in making such payments and in paying necessary administrative expenses.

Section 3: This section would amend section 347 of the Agricultural Adjustment Act of 1938, as amended, by adding new subsections (f) and (g).

Subsection (f) would authorize the Secretary, beginning with the 1968 crop of extra long staple cotton to permit transfers of extra long staple cotton allotments within the same State if he determines that it will not impair the effective operation of the program. Such transfers could be by sale, lease or by owner. The Secretary could prescribe such terms and conditions as he deemed necessary.

Subsection (g) would require the reduction of the soil conserving base established for 1968 and subsequent crops if the extra long staple cotton allotment for a farm is greater than such allotment for the preceding crop as a result of transfers under subsection (f), or for any other reason. This would reduce the diversion requirements on certain farms under the upland cotton program.

Section 4: This section would amend section 407 of the Agricultural Act of 1949, as amended, to provide that, effective August 1, 1968, C.C.C. shall make available for sale for unrestricted use at current market prices a quantity of American grown extra long staple cotton equal to the shortfall between production of such cotton and the estimated requirements of such American grown cotton for domestic use and for export for the marketing year which begins in the year for which the quota is proclaimed. Beginning with the marketing year for which the national marketing quota for extra long staple cotton is established under section 347(b)(1) and not under section 347(b)(3) of the Agricultural Adjustment Act of 1938, as amended, C.C.C. sales of extra long staple cotton would not be made under the foregoing provision but would be made at not less than 115% of the applicable loan rate under section 101(f) of the Agricultural Act of 1949, as amended.

Section 5: This section would repeal section 3 of Public Law 88–638 (78 stat. 1038) effective August 1, 1968.

The statute to be repealed provides for C.C.C. export sales of extra long staple cotton which is in surplus supply at competitive world prices. It also would repeal the provision thereof which requires exclusion of such exports in determining extra long staple cotton marketing quotas under section 347(b) of the Agricultural Adjustment Act of 1938, as amended.

EXHIBIT 1

AMERICAN-EGYPTIAN EXTRA-LONG-STAPLE COTTON

ESTIMATED COST OF DIRECT PAYMENTS AND PUBLIC LAW 480 AT SPECIFIED PRICE LEVELS UNDER H.R. 10364

Support price (cents)	Payment rate [1] (cents)	Payment limited to 81,400 acres or 90,000 bales (million dollars)	Public Law 480 (estimated) [2] (million dollars)	Total costs Public Law 480 and limited to 90,000 bales (million dollars)
40	8.2	3.5	6.5	10.0
38	10.2	4.4	6.5	10.9
36	12.2	5.3	6.5	11.8
35	13.2	5.8	6.5	12.3

[1] 65 percent of parity at 74.1 equals 48.2 cents.
[2] Foreign policy would determine the actual amount made available by the USDA under Public Law 480.

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Washington, D.C., December 8, 1967.

Hon. B. EVERETT JORDAN,
U.S. Senate.

DEAR SENATOR JORDAN: In response to your request of December 7 there are set out below our views and estimates on questions you presented in connection with extra long staple cotton.

S. 2722 provides that the price-support loan level for extra long staple cotton shall be from 1.5 to 2 times the loan rate for upland cotton, as determined by the Secretary of Agriculture. You asked whether this Department would object if the bill were amended to provide that the loan level for any year could not be less than 35 cents. We have had discussions of the proposed legislation with various persons in and outside the Government, and we have reason to believe that, if S. 2722 is enacted, the Secretary would set the 1968 crop loan level at 38 to 40 cents if the parity price for extra long staple cotton remains at about the current level. Therefore, setting the legal minimum level at 35 cents would not interfere with our views at this time on the bill and the 1968 program. If the 35-cent minimum level became unrealistic for 1969 or thereafter the law could, of course, be changed.

You also requested our views on program expenditures for extra long staple cotton if the allotment price-support program now in effect (including disposal operations under Public Law 480) is continued. Under these assumptions during the next few years we would expect yields per acre to increase and domestic consumption to decline—due mainly to the unfavorable relationship between the loan level for ELS cotton and that for upland cotton. We estimate that CCC acquisitions of cotton through the loan program would increase by 30,000 to 35,000 bales per year at a cost of about $235 per bale. Thus, net fiscal year expenditures would increase to about $14 to $16 million. The sharp increase in expenditures from current levels (about $7.5 million) is due primarily to the increased quantity of cotton which will be acquired by CCC (about $7 to $8 million per year) if the current program is continued.

In addition, you asked for our views on what expenditures with respect to the 1968 and subsequent crops would be if S. 2722 were enacted and the price support loan level were set at 40 cents. We estimate that net expenditures under such a program would be about $2.5 million per year while CCC is disposing of its present stocks and after such stocks have been disposed of would be about $10.4 million per year.

Sincerely yours,

H. D. GODFREY, *Administrator.*

Mr. FRANCIS. Mr. Chairman, I would, also, like to introduce into the record without reading them statements from various associations that support H.R. 15098: The El Paso Valley Cotton Association, The Graham County Farm Bureau, Trans-Pecos Cotton Association, The El Paso County Farm Bureau, The Arizona Cotton Growers Association, The Maricopa County Farm Bureau in the State of Arizona, The New Mexico Cotton Growers Association, The Arizona Farm Bureau Federation, Dona Ana County Farm and Livestock Bureau, as well as a statement from the American Textile Manufacturers Institute.

The CHAIRMAN. Without objection, they will go into the record.

(The documents referred to follow:)

STATEMENT OF C. B. RAY, EXECUTIVE VICE PRESIDENT, EL PASO VALLEY COTTON ASSOCIATION

This organization represents several hundred growers of extra long staple cotton in the Texas counties of El Paso, Hudspeth, Culberson, and Presidio, most of whom are also members of SuPima Association of America through which they spend thousands of promotional dollars annually.

Such efforts and investments are of no avail if the price structure is such that little or none of their cotton can get into market channels. We believe that H.R. 15098 will do much to correct this problem and recommend its early approval.

Thank you for this opportunity of expressing our views.

GRAHAM COUNTY FARM BUREAU,
THATCHER, ARIZ.,
February 27, 1968.

Hon. W. R. POAGE,
Chairman, Agricultural Committee,
House of Representatives,
Washington, D.C.

DEAR MR. POAGE: The Graham County Farm Bureau requests your support of the extra Long Staple Bill—H.R. 15098. Approximately one half of our cotton acreage is composed of extra Long Staple Cotton and we realize that it must be produced on a competitive basis with Upland Cotton.

Your support of this measure will be appreciated.

Sincerely,

KENT DALEY, *President.*

STATEMENT OF J. B. KIRKLIN, EXECUTIVE VICE PRESIDENT, TRANS-PECOS COTTON ASSOCIATION

The Trans-Pecos Cotton Association represents the extra long staple cotton producers in Pecos, Presidio, Reeves, Ward, and Loving Counties, Texas. We enthusiastically support this extra long staple cotton proposal, HR 15098.

The extra long staple farmers of my area recognized the need for a realistic and competitive price for their extra long staple cotton. Legislation passed in 1964 and 1965, which reduced the price of upland cotton by some 8¢ per pound, has materially affected our long staple markets.

We enthusiastically favor the enactment of HR 15098 which will help correct this problem and restore the historic relationship of the two cottons.

Thank you for the opportunity to express our views on this legislation.

FARM BUREAU INSURANCE SERVICES,
Ysleta, Tex., February 12, 1968.

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

DEAR MR. POAGE: This is to register support for H.R. 15098 by Mr. Morris with respect to Extra Long Staple Cotton, restoring the historic price relationship with upland cotton.

If producers are to gain any results from the $3-per-bale promotion program, then we must have a realistic price so this cotton can go into the market instead of going into the loan.

Respectfully,

JOE R. HOOVER, *President.*

STATEMENT OF ARIZONA COTTON GROWERS ASSOCIATION

Mr. Chairman and Members of the Committee, Members of the Arizona Cotton Growers Association produce approximately 40% of all the extra long staple cotton produced in the United States.

Such cotton was first produced in Arizona and Arizona was the only domestic producer until sometime in the 1930's, so our farmers have a long background of interest in this crop.

The producers of extra long staple (American-Egyptian) cotton in Arizona wish to express their full support for H.R. 15098 both as to the principal involved and the actual details as spelled out in the proposed legislation.

Extra long staple cotton has all the competitive problems common to the upland type plus the fact that the provisions of the Agricultural Act of 1965, by widening the spread between the price of extra long staple and the upland types, has resulted in competitive losses to the shorter staple cottons.

Acreage allotments of extra long staple have been cut in recent years resulting in loss of badly needed income to our producers.

We believe H.R. 15098 will make possible increased consumption of domestic extra long staples; will in time result in restoring some of our acreage cuts and will maintain producer income while reducing government expenditures.

The proposed legislation permits the Secretary of Agriculture to establish the loan level for extra long staple cotton between 150% and 200% of middling one inch cotton. We believe this provision of the bill, by getting away from the historic 2¼ times relationship, recognizes that our farmers are now more efficient than in the past, but more importantly, would enable the Secretary to reduce the rather large stocks now on hand.

We have been informed that Mr. J. S. Francis, Jr., President of the SuPima Association of America, and also a director of the Arizona Cotton Growers Association, will give the committee a rather detailed statement in support of H.R. 15098, so we will conclude this statement by saying that the directors of the Arizona Cotton Growers Association have expressed unanimous support for the proposed legislation and urge the committee to give it favorable consideration.

MARICOPA COUNTY FARM BUREAU,
Phoenix, Ariz., April 3, 1968.

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

DEAR MR. POAGE: We strongly support HR 15098 as introduced by Mr. Udall and Mr. Steiger of Arizona restoring the historic relationship of Extra Long Staple cotton with that of Upland cotton.

At our Annual Meeting on policy October 28, 1967, the following resolution was passed:

Long Staple Cotton Program. We support the extra long staple cotton industry in efforts to maintain the growers' income, and to make the long and short staple programs compatible by recommending:

(*a*) Provision for sale and lease of allotments.

(*b*) Minimum national allotment at least equal to long staple imports.

(c) Maintain the price relationship between long and short staple cotton.

Maricopa County is a major producer of both extra long staple and upland cotton, and has staunchly supported producer organizations—such as Supima and Cotton Producers Institute—that are striving for the advancement and promotion of American cottons.

We will appreciate the careful consideration of this bill by your committee.

Sincerely,

JAMES MARIONNEAUX, *President.*

NEW MEXICO COTTON GINNERS' ASSN.,
Loving, N. Mex., February 22, 1968.

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

DEAR MR. POAGE: We are writing to you in support of HR 15098, a bill by Mr. Morris of New Mexico in regard to extra long staple cotton and which attempts to restore the normal price relationship between it and upland cotton.

With the developments in the cotton program affecting upland cotton, there has resulted a further disparity in price under the government programs between it and extra long staple cotton. The E.L.S. Cotton producers are making a genuine effort by their personal contribution of $3.00 per bale to promote this cotton and it would appear that quite a bit of their efforts and money will be wasted if they do not have a realistic pricing structure in relation to other cottons. For this reason, we believe it would be in their interest and not against the interest of upland cotton growers to attain this lowered price support level.

Thanking you for your consideration of our support of this bill, we are,

Yours very truly,

WINSTON LOVELACE, *Secretary-Treasurer.*

ARIZONA FARM BUREAU FEDERATION,
March 29, 1968.

Hon. MORRIS K. UDALL,
U.S. Congressman,
House Office Building,
Washington, D.C.

DEAR MO: For your information, the Voting Delegates at the annual Convention of the Arizona Farm Bureau Federation last November offered the following proposed resolution to the American Farm Bureau Federation:

LONG STAPLE COTTON PROGRAM

"We support the extra-long staple cotton industry in efforts to maintain the growers' income, and to make the long and short staple programs compatible by recommending:

a. Provision for sale and lease of allotments.

b. Minimum national allotment at least equal to long staple imports.

c. Maintain the price relationship between long and short staple cotton."

Any assistance that you can give in this area will be greatly appreciated.

Sincerely yours,

FLOYD HAWKINS, *President.*

DONA ANA COUNTY FARM AND LIVESTOCK BUREAU,
April 19, 1968.

Mr. THOMAS MORRIS,
House of Representatives,
Washington, D.C.

DEAR MR. MORRIS: At a meeting of the Cotton Committee of the Dona Ana County Farm and Livestock Bureau held on Friday, April 19, 1968, the following guidelines for legislation pertaining to extra long staple cotton were unanimously adopted:

1. Provision for sale and lease of allotments.
2. Minimum national allotment at least equal to the extra long staple import quota.
3. Maintain the price relationship between extra long staple and short staple cotton.

Dona Ana County is the major producer in New Mexico of both extra long staple and upland cotton. We would appreciate your favorable consideration in this matter.

Sincerely,

P. R. KUYKENDALL,
Chairman, Cotton Committee.

STATEMENT OF AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Mr. Chairman, I am authorized to say that the American Textile Manufacturers Institute endorses this bill and supports the position of the Supima Association. The textile industry believes that this bill will encourage the consumption of America produced extra-long staple cotton. For many years, the Supima Association has worked closely with ATMI's Extra Long Staple Cotton Committee which represents the mills that consume our cotton. We believe this has been a mutually beneficial association, and we are pleased that the textile industry joins us in supporting this legislation.

The CHAIRMAN. I would like to ask you as to the statement from the Farm Bureaus, do they recommend the passage of this bill?

Mr. FRANCIS. Yes, sir.

The CHAIRMAN. The American Farm Bureau Federation filed a statement this morning which you are probably familiar with which is in conflict with that.

Mr. FRANCIS. Yes, sir. Apparently they have not checked with the grass roots, Mr. Chairman.

[Laughter.]

The CHAIRMAN. Does that complete your statement?

Mr. FRANCIS. Yes, sir.

The CHAIRMAN. Thank you. There is one item that we discussed with Mr. Hoover and, probably, we had better discuss this with Mr. Baker when he testifies in a moment, but I would like to have your views on this question on making payments on the stocks. That is mainly the difference between these two bills, as I understand it, is that one provides for payments to the holders of the stocks of extra-long staple cotton, and the other does not. What is the view of the producers?

Mr. FRANCIS. Mr. Chairman, the producers would, certainly, have no objection to the inventory protection.

The CHAIRMAN. I would hope that you would have no objection to it, because I did not feel that it was fair to the American trade to ask them to absorb a loss. I think, however, that these merchants and processors are in the better position to speak about how to handle that proposition than, probably, you are.

Mr. FRANCIS. No, sir. In the statement of Mr. Hoover, on July 31, the Commodity Credit Corporation would acquire title to any cotton. I would not imagine the case of a producer holding his particular bale of cotton beyond that date.

The CHAIRMAN. Why could he not?

Mr. FRANCIS. He could, sir. I cannot imagine any economic set of circumstances that would cause him to do this. He has the right to do so, yes, sir.

The CHAIRMAN. Are there any other questions?

Mr. Purcell?

Mr. PURCELL. Mr. Chairman, I would just like to compliment Mr. Francis on this definitive statement as to what the bill does. I think that is for the benefit of all of us. This is a very complicated set of circumstances which have been explained by this gentleman and it shows his knowledge of the subject, and I appreciate his interest and his ability to explain it.

Thank you, that is all, Mr. Chairman.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. I want to say to Mr. Francis that you folks have had some mighty good people who have headed up the SuPima Association Group. It has been my privilege and pleasure to work with the SuPima people for many years. I recall once that the Chairman and Mr. Cooley, Mr. Rhodes, and Mr. McIntire and one or two others of us made a trip out to the Far West a few years ago, and we met in Phoenix, Arizona, with a group of extra-long staple growers. This was a most enjoyable visit that we had there. Hearings were held on extra-long staple cotton at that time. I commend you for a fine statement.

The CHAIRMAN. Are there any other questions? If not, we are very much obliged to you, Mr. Francis.

Mr. FRANCIS. Thank you.

The CHAIRMAN. We will now hear from Mr. John O. Baker, president of J. A. Baker & Co., Inc., Charlotte, N.C. We will be glad to hear from you now.

STATEMENT OF JOHN O. BAKER, PRESIDENT, J. A. BAKER & CO., INC., CHARLOTTE, N.C

Mr. BAKER. Mr. Chairman and members of the committee; my name is John O. Baker. I am President of J. A. Baker and Co., a cotton merchandising firm located in Charlotte, N.C. We are members of the American Cotton Shippers Association.

I am also associated with Hadley-Peoples Manufacturing Co., Silver City, N.C., who are members of the American Textile Manufacturers Institute and consumers of extra-long staple cotton. I am also speaking as their representative.

H.R. 15098 does not have any provision to protect the handler or mill who have inventories of extra-long staple when the law goes into effect.

We cannot cut off production and routes of supply like a water tap, awaiting the transition from one price to another. It was not done on upland cotton nor should it be done on extra-long staple cotton.

How can this transition be made, protecting all parties involved?

First, let me point out, that if handlers and mills are not protected, they will cut consumption to nil, forcing the extra-long staple into CCC stock which will be later bought out at the cheaper price.

If payment in kind certificates were issued to all parties holding inventories of extra-long staple cotton when the law goes into effect, all parties would be protected and consumption would be uninterrupted.

These certificates could be used against the purchase price of the surplus stocks of extra-long staple after these stocks are reduced in price for sale.

By this method, no cash is involved. The Government is disposing of this surplus and the private trade is protected.

Gentlemen, this is a simple means of maintaining continuity of marketing without injuring any party.

Mr. Chairman and committee members, thank you for alloting me this time.

The CHAIRMAN. Thank you very much, Mr. Baker. I wonder if you would give us somewhat of an outline of just how this protection to the stocks would be affected, the mechanics of it. I think that the committee wants to see that justice is done. We do not want to cause somebody to have a loss. On the other hand, we want to be sure that the American taxpayer is not going to be hurt. And we have learned by experience that these bills, generally, do not always do that, and that something we do not anticipate may happen after we enact the legislation.

We have never found a farmer nor a middle man who could not figure. I think that they can all figure now, and that they generally outfigure us. Let us all see how it would go.

Mr. BAKER. Explain how this could be done?

The CHAIRMAN. Yes.

Mr. BAKER. One thing, Mr. Chairman, I have tried to bring out in this brief statement is that the certificate could only be used for the purchase of the surplus stocks which are disposed of. In other words, we have developed such an operation, the construction of pima cotton in card yarn, and I think that we are the only producers of card pima yarn.

We have to maintain a certain stock. We have to go into the market in competition with other cotton.

The CHAIRMAN. Have you not sold the cotton that you have on hand now, the stocks that you now have?

Mr. BAKER. No, sir. We supply all of the mills, besides our own group. In fact, they are right now, as has been pointed out, in the situation where they have absolutely stopped selling pima yarn, one of the biggest consumers in this country. As a matter of fact, they are selling more dacron than they are selling pima right now, which is a competitive yarn.

The CHAIRMAN. Is there a situation where they can sell it for future delivery so that they would be reluctant to buy pima yarn now, if they could do that?

Mr. BAKER. They cannot store the yarn. They are waiting until this bill is enacted.

The CHAIRMAN. I realize that any uncertainty in the market reduces trading in that commodity—whatever the uncertainty may be, such as uncertainty as to the size of the crop, that will do that.

Mr. BAKER. Yes, sir.

The CHAIRMAN. There will not be as much trading the day before the crop report as the day after the crop report. Most people wait to see what that crop report will be. There will not be as much stock buying, I should say, because they are waiting to see what that is going to be. Everybody is waiting as long as they can. When somebody wants to buy some pima to make shirts, the buyer of those shirts will put a price on them and he will give you whatever he is paying for that cloth, and you will sell the cloth to him; will you not?

Mr. BAKER. That is true.

The CHAIRMAN. Even if you have to go on the market to buy the cotton now, you will sell it?

Mr. BAKER. Yes, sir. That is how I will do it to the fellow who is making the shirts. He looks for the price to come back. He wants to be protected.

The CHAIRMAN. I know that. If a man has a market for a commodity, he will produce the commodity and he will price it and he will fix his price on the basis of what the commodity is costing.

Mr. BAKER. That is true.

The CHAIRMAN. And you are going to do the same thing in your business, are you not?

Mr. BAKER. That is true.

The CHAIRMAN. And so do you not actually sell a substantial amount of this stuff for future delivery? You are not in a business such as the automobile companies are of producing a great many automobiles and simply hoping that they will sell them. You actually sell most of your products before you produce them; do you not? Are you not taking orders now for goods before you buy the cotton?

Mr. BAKER. Yes, sir.

The CHAIRMAN. To the extent that you have done that, have you not been protected?

Mr. BAKER. As the middleman, yes; but as the merchant, no, sir; because I am looking for these mills to take the stock off of my hands. Let me point out something, Mr. Chairman.

We have created a market to our mill—we have developed a market.

The gentleman from North Dakota was asking about our cotton of 1⅜ inch. We have developed a market that pays the farmer a decent price. We have established a market for this. We developed it ourselves. In doing this we had to buy more cotton than we needed, more cotton than we could consume. And, of course, than our mills could use. I am speaking as a merchant, too. I have cotton on hand right now and if this thing goes into effect it will cost me $60,000.

The CHAIRMAN. We are trying to understand this clearly. There was some misunderstanding when we got into this is connection with short-staple cotton. Whether right or wrong, many members of this committee thought that—they were given to understand that we could expect lower prices to the consumers. Now I am told that is not correct. There are some fabrics that sell for less than they sold for in 1964 or there is maybe just a slight decrease. And there is a substantial portion of this subsidy which the Government pays, whether that is right or not, in terms, it is a subsidy, and I recognize it as such. I am not like an ostrich and stick my head in the sand and say otherwise. I know it is there.

I do not have any figures here before me, but certain fabrics were selling just about where they are selling now before—maybe a little less today, and the Government is paying about nearly one-third of this cost for this cotton. The consumer is not getting a shirt for any less.

Of course, I recognize there have been three wage increases in the mills since we passed that bill, and they have increased the labor costs very substantially. Cotton prices have gone down. The labor costs have gone up very substantially. I realize you have to pay that.

And distributors like J. C. Penny and Co., who sell shirts, they, too, have had substantial wage increases that they have to pay. The result is that you are not making any more off of the shirts than before the bill was passed. But the public is not getting the reduction that we understood they would get.

I think that you would be doing yourself a great injustice if you left this committee with any kind of a misunderstanding about what is going to happen.

Mr. BAKER. Let us go back to 1964, when this law was enacted. The mills were given this payment in kind, and so forth. It created a tremendous supply and demand situation. One reason the demand was so great was because it cut into the import market of foreign goods. This was one impact. But look at the textile expansion, which created a market for the iron and steel people and everybody else in new machinery. And actually that did come back, maybe, three fold.

If you look at the supply and demand situation at that time, with imported goods, that is when the demand was begun. This is my personal opinion.

The CHAIRMAN. What I am getting at is, if we take a position on this bill, are some people going to have a windfall?

Mr. BAKER. There are not many people to make windfall profits.

The CHAIRMAN. I am not talking about how many. I am talking about are there any?

Mr. BAKER. I would say this, honestly, this would reflect a decrease in prices. This is a specialty cotton. People know the prices of cotton yarn. They follow it very closely. It is a very expensive yarn. It is a thread yard.

The CHAIRMAN. I want to get back to the proposition that if we provide for this windfall—if we provide for this payment of stocks, somebody will make a windfall profit, because he has it—he has the cotton in stock—he is going to get paid for it, as I see it. What is cotton worth today—yes, what is it worth now without this bill? It will come down when this bill is passed. He is going to sell his goods on the new market, is he not?

Mr. BAKER. If this bill would pass the price would be down, yes, sir.

The CHAIRMAN. We hope that it will be.

Mr. BAKER. It would be down.

The CHAIRMAN. Well now, we had those sort of statements in 1965, that the price would be down. Now the price is down, very minescule. But it is, certainly, a rather minor thing. I know there are other reasons. I am not trying to say that there are not other reasons, but I am trying to find out what is going to happen. The price did not come down very much before, did it, on textiles?

Mr. BAKER. No, sir.

The CHAIRMAN. I know that labor costs went up and that tended to put the cost back up. I am not trying to say that everything is bad, but I am trying to say that we did not get the results we were told we were going to get. And people were just as certain as you are now. In fact, you yourself were here, as I recall it.

Mr. BAKER. No, sir.

The CHAIRMAN. I thought that you came here to testify, did you not?

Mr. BAKER. No, sir.

The CHAIRMAN. But there were plenty of people who were just as sure as you are now. I want to be real sure. I want to be real sure that we know what is going to happen. I am not going to say that making this adjustment will make some windfalls.

Mr. BAKER. I think on the basis of the pima cotton, long-staple cotton in that situation, I think as I said a minute ago, it goes into specialty goods. It is very closely followed, that is, the price of it. There are very few consumers and uses for it. The price of sewing threads would go down, I would say, yes, sir. It is not like upland cotton, Mr. Chairman. It is a market unto itself. If you do not have the knowledge to handle it, you had better stay out of it. You can lose $20 to $30 a bale overnight on cotton of this sort.

The CHAIRMAN. Thank you.

Mr. Gathings.

Mr. GATHINGS. I just want to follow up for a moment on your thoughts. How much loss would you and the merchants take on this cotton if no provision was written in here for protection?

Mr. BAKER. It depends upon what your first reduction would be.

Mr. GATHINGS. What was that?

Mr. BAKER. $45 to $48.

Mr. GATHINGS. I want to ask you this—what percent of the cost of the raw cotton goes into the making of the finished garment that is sold in the channels of trade through these various outlets, such as Sears, Roebuck, J. C. Penney, and the like—what percent of that $45 to $48 goes into the finished product?

Mr. BAKER. What percentage into the garment? I do not make garments, Mr. Gathings.

Mr. GATHINGS. That is the only factor left here, as the chairman is bringing out, and that is whether or not you are going to produce that garment that people buy at a cheaper price. I am asking, do you know just what percent of that $45 to $48 would have to do with the actual cost of the product that is sold over the counter?

Mr. BAKER. I am trying to arrive at a figure. It would be a few cents.

Mr. GATHINGS. It would be very little?

Mr. BAKER. It would be very little.

Mr. GATHINGS. If you were talking about cotton duck, probably, it would be 40 or 50 percent of the total price?

Mr. BAKER. Yes, that is right.

Mr. GATHINGS. So that when you are making a fine shirt, what effect will it have on it?

Mr. BAKER. That is right, especially in pima shirts, you are right. We do make the yarn that goes into duck out of pima cotton, a coarse yarn. This substantiates what you say, the heavier the goods the more profit you have got in it. That is right.

Mr. GATHINGS. But you would not say how much this $45 to $48 a bale would affect the price to the consumer of duck or any other product?

Mr. BAKER. No, sir.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. Mr. Baker, let me try to see if we do understand. As I understand what you are saying is that your buyers are watching the price of your product—it is a yarn, as I understand it—you sell yarn?

Mr. BAKER. No, sir. We are cotton merchants. I am associated with the mill that makes yarn out of pima cotton, but I sell pima cotton, extra-long staple cotton to other mills, besides the one that I am associated with.

Mr. PURCELL. Then your customers, whether in the cotton part of it or in the yarn part of it, you say study the price of whatever they are going to be buying very, very carefully?

Mr. BAKER. Yes, sir.

Mr. PURCELL. Now the competitor of the products that you sell is one of these manmade fibers, as I understand it?

Mr. BAKER. Yes, of pima cotton.

Mr. PURCELL. If I understand what you started out saying here it is that because these people get a manmade cloth or a manmade yarn at close to or less than what the pima cotton product is having to sell for, they are not buying from you the way they ordinarily would—you do not have the orders that you might have had three years ago or a year ago or some other time?

Mr. BAKER. That is true.

Mr. PURCELL. Then you are saying that because these sales are hard to come by that you, the merchant, and whomever is going to be holding this long-staple cotton at the time that this bill goes into effect, needs to be protected and get the difference between what it will cost you after the bill goes into effect as compared to what you have got in it now?

Mr. BAKER. That is right.

Mr. PURCELL. The only question that we really, I think, are trying to get at is, do you know of any way under this proposal whereby the merchant or whomever now holds the cotton will get this payment in kind certificate? Do you know of any way that anybody is going to get a windfall—I mean, by that, people who are already in the contracts they have in being at this higher cost than they will have in the future?

Mr. BAKER. To tell you the truth, Mr. Purcell, I do not think that there would be any windfall, because nobody is buying. I have got pima cotton as a merchant on hand today.

Mr. PURCELL. Has the buying slowed down or has it stopped?

Mr. BAKER. Stopped.

Mr. PURCELL. Then, so far as you know, there is not any merchant, whether he is selling long-staple cotton or yarn made of it that has enough contracts in the future to really create a windfall?

Mr. BAKER. That is right. They do not.

Mr. PURCELL. And this is true with you and your competitors?

Mr. BAKER. Yes, sir. And if they convert to Dacron, something that they know is consistent in price, they do that. I know one big mill—one of the biggest consumers of pima cotton—that absolutely has stopped buying. They have got cotton on hand. It is frozen, in effect. They told me it was absolutely nil in the market.

Mr. PURCELL. I think that is what we are trying to get.

Mr. BAKER. That is the point. Contracts are not made. There will not be any windfall, because it has stopped. Pima cotton today, I have over 2,500 bales on hand to sell.

Mr. PURCELL. Go ahead.

Mr. BAKER. And nobody will buy it.

Mr. PURCELL. So far as you can find out the situation you are in is exactly like that of other merchants and your competitors?

Mr. BAKER. That is right.

Mr. PURCELL. That satisfies me, Mr. Chairman.

The CHAIRMAN. How long do you think you ought to be able to acquire this cotton and still get relief—how late? Under the terms of the bill, it is on the 31st day of July and you could buy this cotton the next morning—you could get a refund on it—should you be allowed to do that sort of thing?

Mr. BAKER. Under the bill, Mr. Chairman, if the price is going to be reduced, who is going to buy the cotton on the 31st day of July?

The CHAIRMAN. I do not think that you are going to buy it, unless the price is reduced, but if the price is reduced on the 31st day of July and you buy cotton at, let us say, that it got pushed down to around 40 cents, would it not?

Mr. BAKER. Yes.

The CHAIRMAN. And you bought some cotton at around 40 cents, and the next day you would go in and ask for 9 cents adjustment on it, that makes the cotton 31 cents, instead of 40 cents.

Mr. BAKER. Well now, what would be the loan price on the 31st day of July?

The CHAIRMAN. The loan price would be the same as it is today.

Mr. BAKER. Then you could not buy at 40 cents. What rate are you speaking of—what grade are you speaking of?

The CHAIRMAN. It is 47 cents right now, the loan rate.

Mr. BAKER. 47 to 50 cents.

The CHAIRMAN. As I understand it, this is not a big crop.

Mr. BAKER. No.

The CHAIRMAN. Most of it is sold and is now in the hands of the processors? Most of it is already in somebody's hands, is it not?

Mr. BAKER. Yes, sir.

The CHAIRMAN. I mean some trader.

Mr. BAKER. Or the government.

The CHAIRMAN. And what you are suggesting is that we should pay this adjustment on all of the existing cotton, is that right?

Mr. BAKER. The existing stocks.

The CHAIRMAN. The existing stocks?

Mr. BAKER. In storage and in private hands.

The CHAIRMAN. All of the stocks that are outstanding, no matter where they are, should get this adjustment payment, is that what you are suggesting?

Mr. BAKER. I am speaking mainly as a merchant. I think that the merchant should be protected. We create the market.

The CHAIRMAN. Others have some of this stock.

Mr. BAKER. That is correct. The mills have the same inventory and would be in the same position if they did. They have to maintain an inventory.

The CHAIRMAN I can see great advantage here—I think I see it—if we provided that these payments be made on all outstanding stocks on that day, that your prices would immediately adjust to that figure right now.

Mr. BAKER. That is true.

The CHAIRMAN. It would begin to move—you would begin to move the stocks.

Mr. BAKER. True.

The CHAIRMAN. Which, in my opinion——

Mr. BAKER. In my statement, as I said there, to further prove my first point, that any payments be made would only be made in the use of the purchase of the surplus stocks, in other words, there is no cash coming back, giving a discount and you reduce the price—the loss you take would be applied against the surplus stocks that you purchase, offsetting the loss, but you are, also, reducing the inventory.

The CHAIRMAN. Are there any other questions?

Mr. Purcell.

Mr. PURCELL. Can I go one step further? I am sure that you would not do this, but let us say that because of some kind of incident you bought cotton today to be delivered on the 5th of August and this goes into effect on the last day of July. Then you would be in the same predicament if you got cotton that you bought now or any time at the present high price, but that you were going to use later on—you would still want and expect and need this payment in kind certificate to offset the cost of that, would you not?

Mr. BAKER. Yes, sir. Wait a minute—state that again.

Mr. PURCELL. All that is involved here is that when you are going to buy the cotton, any cotton that a merchant bought at the present high price, even if he had it delivered to him and he consumed it, or processed it after this bill went into effect, you would be up against the same proposition with that cotton that you did not use up until in August some time, if you bought it under the present price?

Mr. BAKER. He is going to be faced with a loss in August.

Mr. PURCELL. Then you would favor the kind payment certificate?

Mr. BAKER. Yes, sir. Whoever buys it is going to put that provision in. He will have to reduce the price.

Mr. PURCELL. Our problem here is that the merchants in your kind of business buying cotton or manufacturing it into products have not really already a contract in their pockets for future delivery of their product, based on the price they pay?

Mr. BAKER. No, sir; they do not.

Mr. PURCELL. All right, thank you. That is all, Mr. Chairman.

The CHAIRMAN. We are very much obliged to you, Mr. Baker.

Mr. BAKER. Thank you, sir.

The CHAIRMAN. I wonder if any of the others want to take a minute to give us an explanation about this subject that we have gone into.

STATEMENT OF R T. HOOVER, JR., AMERICAN COTTON SHIPPERS ASSOCIATION, ACCOMPANIED BY NEAL P. GILLEN, VICE PRESIDENT—Resumed

Mr. HOOVER. With regard to the purchasing of the cotton on July 31st, and then the price of it on August 1, if the merchant or the mill buys the cotton on July 31 and it would presumably have to come from the Government's inventory, or the cotton that they were about to take on August 1, they would have to pay the higher price and that would be somewhere in the neighborhood of 47 to 50 cents per pound, plus all of the carrying charges.

Then on August 1, if this were the effective date, the value of that cotton would immediately be reduced to about 40 cents a pound and he would have that loss of the difference between what he paid on July 31 or some earlier date and what it was worth to him on August 1, or whatever the effective date would be. So he would be having a loss.

And what this bill, H.R. 15000 proposes to do is to avoid what looks like a definite built-in loss; certainly, there is no windfall profit that I as a merchant or the producer have any hope of making. The mills we have talked to—many of them are the same ones that Mr. Baker talked to—have practically stopped using American-Egyption cotton. If this bill went into effect, the first bill, H.R. 10864, if I remember the number correctly, when it was introduced, there were two mills that we were dealing with—one of whom was insistant upon buying 1,000 bales and another interested in buying 1,500 bales. The minute that this legislation was introduced they both withdrew from the market. And to my knowledge—and I do not know that I have done anything to offend either of them since then—neither of them have come back into the cotton market for any cotton.

One of the two largest users of this cotton in this country last year was using about 6,000 bales of cotton and they told me as recently as a week ago that they had stopped producing yarn from this cotton altogether and would not continue until they got some new orders and that the new orders were not coming in, because the buyers of the yarn or the cloth that they make had just stopped until they could see what would be a stable price at some new level.

Mr. GILLEN. I might add that since December, when H.R. 10864 was passed in the Senate, over 5 months ago, the market has totally stopped. I am called continually every day by merchants from all over the country who deal in extra-long staple cotton who literally are panicked—what should I do? What is the Congress going to do with this legislation? They want affirmatively to know if there is going to be a bill or whether there is not going to be a bill. And as Mr. Baker explained and as Mr. Hoover has just explained, the merchants have been suffering. The mills have held off in their buying and spinning of this cotton, and their customers who buy the finished yarn have, also, ceased buying, waiting to see what will happen.

I can appreciate your interest in trying to ascertain as to whether or not there will be any windfall.

Speaking from the merchants' viewpoint there is no windfall that I know of. And what has happened so far is there have been losses.

Mr. Hoover has not sold any cotton in the past 5 months. He has an office to maintain and people that he employs. So everybody has been suffering during the duration.

The CHAIRMAN. Thank you. Is there anybody else who has any questions? If not, we thank you very much.

Mr. HOOVER. We thank you for letting us come back.

Mr. GILLEN. We thank you, Mr. Chairman.

The CHAIRMAN. That will complete the testimony on this bill. I had hoped that we would have an opportunity to act on the bill today, but the attendance is not here sufficient to do so. So we will postpone it until a later date. I hope you gentlemen will understand that there is no desire to postpone action on this, but I am afraid that there is nothing else that we can do at this moment with no attendance. We will try to act on it the first date we can. If any of you can help us get a quorum, we will be glad to have you do so.

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

(Whereupon, at 12 noon, the committee adjourned to reconvene at 10 a.m. Monday, April 29, 1968.)

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