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HEARINGS
BEFORE THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION
ON

H.R. 14157

ESTABLISHMENT OF CRADLE OF FORESTRY IN PISGAH
NATIONAL FOREST

H.R. 16065

CONVEYANCE OF LAND TO THE STATE OF IOWA

H.R. 16451

ERADICATION OF FOOT-AND-MOUTH DISEASE IN CENTRAL
AMERICA

H.R. 15562

LOANS ON LEASEHOLD INTERESTS IN HAWAII

H.R. 17320

ST. LOUIS-SAN FRANCISCO RAILWAY COMPANY EASEMENT
OVER FEDERAL LAND

S. 3143

FROZEN CONCENTRATED ORANGE JUICE

S. 2276

AMEND THE WATERSHED PROTECTION AND FLOOD PRE-
VENTION ACT

H.R. 17752 and H.R. 17995

PROVIDE INDEMNITY PAYMENTS FOR DAIRY FARMERS

H.R. 18209

AMEND CONSOLIDATED FARMERS HOME ADMINISTRA-
TION ACT

Serial WW

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HOUSE OF REPRESENTATIVES
NINETY-THIRD CONGRESS

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H.R. 1735 and H.R. 1736
H.R. 1820

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ESTABLISHMENT OF CRADLE OF FORESTRY IN PISGAH NATIONAL FOREST

TUESDAY, APRIL 30, 1968

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

The committee met, pursuant to notice, at 11 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Jones of Missouri, O'Neal, de la Garza, Dow, Montgomery, Belcher, Teague of California, Mrs. May, Hansen, Goodling, Miller, Burke, Mathias, Mayne, Zwach, Kleppe, Price, Myers, and Resident Commissioner Polanco-Abreu.

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 come to order.

The committee is meeting this morning for the consideration of H.R. 14157 by Mr. Taylor.

(H.R. 14157 follows:)

[H.R. 14157, 90th Cong., first sess.]

A BILL To authorize the Secretary of Agriculture to establish the Cradle of Forestry in America in the Pisgah National Forest in North Carolina, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to preserve, develop, and make available to this and future generations the birthplace of forestry and forestry education in America and to promote, demonstrate, and stimulate interest in and knowledge of the management of forest lands under principles of multiple use and sustained yield and the development and progress of management of forest lands in America, the Secretary of Agriculture is hereby authorized to establish the Cradle of Forestry in America in the Pisgah National Forest, North Carolina. As soon as possible after this Act takes effect, the Secretary of Agriculture shall publish notice of the designation thereof in the Federal Register together with a map showing the boundaries which shall be those shown on the map entitled "Cradle of Forestry in America" dated April 12, 1967, which shall be on file and available for public inspection in the office of the Chief, Forest Service, Department of Agriculture.

SEC. 2. The area designated as the Cradle of Forestry in America shall be administered, protected, and developed within and as a part of the Pisgah National Forest by the Secretary of Agriculture in accordance with the laws, rules, and regulations applicable to National Forests in such manner as in his judgment will best provide for the purposes of this Act and for such management, utilization, and disposal of the natural resources as in his judgment will promote or is compatible with and does not significantly impair the purposes for which the Cradle of Forestry in America is established.

SEC. 3. The Secretary of Agriculture is hereby authorized to cooperate with and receive the cooperation of public and private agencies and organizations and in-

dividuals in the development, administration, and operation of the Cradle of Forestry in America. The Secretary of Agriculture is authorized to accept contributions and gifts to be used to further the purposes of this Act.

The CHAIRMAN. We will ask the witness from the Department to explain the bill. Mr. Taylor is supposed to know about the bill, and he will be in later.

Mr. McGuire is here, the Deputy Chief, Forest Service, U.S. Department of Agriculture, and is accompanied by Mr. Peter J. Hanlon, forest supervisor of the national forests in North Carolina.

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

STATEMENT OF JOHN R. McGUIRE, DEPUTY CHIEF, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY PETER J. HANLON, FOREST SUPERVISOR, NATIONAL FORESTS IN NORTH CAROLINA

Mr. McGUIRE. Mr. Chairman and members of the committee, we appreciate the opportunity to represent the Department of Agriculture in support of H.R. 14157.

This bill would authorize the Secretary of Agriculture to establish the Cradle of Forestry in America in the Pisgah National Forest in North Carolina. This development will be located in an Appalachian Mountain valley where one of America's first trained foresters, Gifford Pinchot, initiated scientific forest management in 1892 on lands owned by George Vanderbilt. This location was part of the first large tract of managed forest land in America, over 100,000 acres surrounding Mount Pisgah and called Pisgah Forest. Nearly 80,000 acres of the Pisgah Forest, including the site of the Cradle of Forestry, constituted one of the first tracts purchased for national forest purposes under the authority of the Weeks Act of 1911.

The Cradle of Forestry will also include the site of the Biltmore Forest School, the first school of forestry in America. The school was opened in 1898 by Dr. Carl A. Schenck, a German forester who succeeded Pinchot as manager of the Biltmore Forest Properties.

Establishment and development of the Cradle of Forestry would preserve and make available to the public, now and in the future, the birthplace of forestry and forestry education in America. It would afford an excellent opportunity to interpret for the public the history and significance of the birth and early growth of forestry in America. To stimulate interest and knowledge in the development and progress of forest land management in America, an area of 6,800 acres around the site of the Biltmore Forest School would be used to illustrate the evolution and technique of multiple use forest land management.

Located about 25 miles southwest of Asheville, N.C.—as you can see on the map on display here—the setting for the Cradle of Forestry is an area known as the Pink Beds at the headwaters of the South Mills River. The Blue Ridge Parkway passes along the ridge to the north of the area. It is so situated as to be readily accessible to the nearly 2 million people who visit the Pisgah National Forest annually.

When completed, the Cradle of Forestry will attract visitors from all over the Nation. Because of its location and the scenic, historical, and educational opportunities it affords, the area will get year-round

use from individuals, students, and organizations interested in natural resource management and enjoyment. The increasingly large number of visitors attracted to this area is expected to produce a significant boost to the local economy.

The present total estimated cost for construction and development of the Cradle of Forestry is around \$11 million. Hopefully, we would expect construction and development to be completed in 7 to 10 years.

The project has caught the attention and interest of many individuals and private organizations who have expressed a desire to cooperate in its development. H.R. 14157 would afford a practical way for them to cooperate with the Department of Agriculture in the development and administration of the Cradle of Forestry in America. It would provide a desirable means of attracting, coordinating, and directing private gifts, donations, and other assistance to accomplish the purpose of the area and to enhance its value as an important component of our natural resource heritage.

All of the lands within the area designated as the Cradle of Forestry in America are national forest lands. The Secretary of Agriculture would continue to develop the area as a part of the Pisgah National Forest so as to best achieve the purposes of this bill and the Cradle of Forestry in America.

The CHAIRMAN. Thank you very much.

Is this not a rather similar project to the one that we reported out a few weeks ago for Oklahoma?

Mr. McGUIRE. Yes, sir, it is; quite similar.

The CHAIRMAN. Is it the purpose of the Forest Service to extend these kinds of things all over the country?

Mr. McGUIRE. Well, I do not recall that we have any others.

The CHAIRMAN. I am wondering if it is the intention of the Forest Service to put them all over these United States?

Mr. McGUIRE. No, sir; we do not intend to have a great number of these. At the moment I cannot recall another one that anyone has in mind.

The CHAIRMAN. It would seem to me that there should be.

Obviously, if you have them in the South, you are going to have them in the Southwest, and you ought to have them in the Northwest and in the New England area and in the Rocky Mountains and places of that kind. Of course, I know that you have more national parks in some of those areas than you do in Oklahoma. You have a big national forest in North Carolina. This is not far from that location, is it, the Nantahala National Forest?

Mr. McGUIRE. In the general vicinity.

The CHAIRMAN. I understand you will pay for this from forest funds. Where are the funds going now?

Mr. McGUIRE. These are part of the annual appropriations to the Forest Service for the protection and management of the national forests, but we would expect that part of this would be paid for out of donations received from people interested.

The CHAIRMAN. I know, but we have the Library of Congress which receives private donations, and much of the cost is defrayed by appropriated funds. Again, I am not trying to find fault, I am trying to know what the facts are on this. You are going to pay for it and will

have to pay for it out of funds that the Treasury provides and not somewhere else.

Mr. McGUIRE. Correct.

The CHAIRMAN. You do not contemplate that there will be funds appropriated just for this purpose; do you?

Mr. McGUIRE. No; we do not contemplate that funds would be appropriated specifically for this project.

The CHAIRMAN. You do not authorize it in the bill, as I see it.

This does not authorize it?

Mr. McGUIRE. That is correct, sir.

The CHAIRMAN. Therefore, this cannot be built from funds that are just appropriated by the Congress, but it will be built rather in large part, at least, from funds that are secured from the sale of timber from the forests; is that not right?

Mr. McGUIRE. The funds would come from our regular appropriations, Mr. Chairman.

The CHAIRMAN. I know that they come from the original appropriation.

Mr. McGUIRE. The funds from the sale of the timber are deposited in the Treasury.

The CHAIRMAN. And does not 25 percent of that go to the local county, et cetera?

Mr. McGUIRE. Twenty-five percent of the receipts from the national forests is distributed to the counties for the benefit of schools and roads.

The CHAIRMAN. Yes. So that all of the receipts from the national forests do not go into the Treasury.

Mr. McGUIRE. That is correct.

The CHAIRMAN. The only funds that you would get here are the funds from your regular appropriations?

Mr. McGUIRE. Yes, sir; that and private contributions.

The CHAIRMAN. Well, now, there is no authority in this bill, is there, to appropriate money for this program?

Mr. McGUIRE. I believe that the Secretary of Agriculture already has the authority to develop this area of the national forest lands for public use.

The CHAIRMAN. And no authority would be given by this bill then?

Mr. McGUIRE. This bill really does only two things, Mr. Chairman, (1) it simplifies the matter of accepting donations from a large number of interested persons and (2) it gives legislative recognition and endorsement to it. It does not add any new spending authorization.

The CHAIRMAN. Are there any questions?

Mr. Dow?

Mr. Dow. One question of Mr. McGuire, if I may.

In this brochure, Mr. McGuire, it says—speaking of this area—that Mr. Pinchot made such a practical demonstration that Mr. Vanderbilt was persuaded to purchase an additional 100,000 acres in the mountains surrounding Pisgah, and Mr. Vanderbilt is known as a good judge of financial possibilities. I am just wondering: Is it the thought that the income from these lands will take care of the costs? Or is that not expected at the present time?

Mr. McGUIRE. Sir, many of our national forests have receipts from timber and other national forest uses which exceed the outlay. In this

particular instance, we would expect that much of the cost would be incurred in the handling of the visitors and that the income probably would not be as great as the cost of handling the visitors to this area for the forest as a whole. On the other hand, it is expected that the income from timber sales and other uses would come fairly close to the cost, the entire management cost.

Mr. Dow. I think that is an important point for you to emphasize, Mr. McGuire.

Thank you, Mr. Chairman. That is all.

The CHAIRMAN. Are there any further questions?

Does anybody else have any questions?

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

Mr. McGuire. Thank you.

The CHAIRMAN. Now, Mr. Taylor is with us, and we will be glad to hear from him.

STATEMENT OF HON. ROY A. TAYLOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. TAYLOR. Mr. Chairman and members of the committee, we appreciate your giving us a hearing.

H.R. 14157 would authorize the Secretary of Agriculture to establish the Cradle of Forestry in the Pink Beds section of the Pisgah National Forest of western North Carolina. It would become a separate Forest Service entity but be managed as a part of the national forest.

The Pink Beds came into prominence in 1890. It was here that George W. Vanderbilt employed America's first recognized forester, European-trained Gifford Pinchot, to conduct a scientific practice of forestry and conservation which attracted national attention. It was here that the first field school of forestry in America was located. It was near here that the first tract of national forest land was purchased under the Weeks law.

Mr. Pinchot was succeeded in 1895 by a German forester, Dr. Carl A. Schenck, a gifted and enthusiastic forester who ably carried on the program.

It was the work of outstanding leaders like Mr. Vanderbilt, Mr. Pinchot, and Dr. Schenck, supported by key citizens across the land, which led to the establishment of the Pisgah National Forest and contributed to the establishment of the National Forest Service. Secretary of Agriculture Orville Freeman has visited the Pink Beds and expressed strong support for this entire project. A visitor center has already been built by the Forest Service. A replica of the schoolhouse where Dr. Schenck held the first forestry classes has been constructed and financed by the alumni of the school.

The master development plan includes a museum and outdoor displays telling the story of forestry and conservation in a setting where these key events took place and in a setting unsurpassed in climate and magnificent scenery where the Blue Ridge Parkway, the Smoky Mountains National Park, and the Pisgah and Nantahala National Forests lead all other comparable Federal areas in annual visitations.

Last year 6,700,000 people visited the Smoky Mountains National Park, and the Blue Ridge Parkway which passes within 3 or 4 miles

of the Cradle of Forestry had 9,250,000 visitors, an increase of 15.4 percent over the preceding year. The Pisgah and the Nantahala National Forests last year had approximately 400,000 visitors. I present these figures to show that the Cradle of Forestry will be visited by citizens from all over the Nation.

I see this Cradle of Forestry as a unique national forest conservation shrine, visited by millions of citizens each year and constituting a worthwhile investment, educationally and conservationwise.

The bill (1) gives national recognition to the Cradle of Forestry; (2) it designates the boundary lines and sets aside an area consisting of 6,800 acres; and (3) it also authorizes the Secretary to accept donations of money and other gifts in furthering the purposes of this act.

The Secretary may expect to receive many items of historical significance and other donations which will help develop and tell the story of American forestry conservation. As I stated, the reproduction of the original schoolhouse was a donation by the school alumni. Lumber interests in the Nation are expected to donate antique tools which help tell the history of American forestry. I have received letters supporting this bill from conservation-minded citizens from all sections of America.

The bill does not cost the Government any money. In fact, it aids the development of this unique historical attraction by making possible the receipt of private funds and gifts.

I point out again that the Cradle of Forestry is already in operation. Part of the construction needed has already been built. Admission fees are charged. The bill carries no specific spending authorization.

I thank you.

The CHAIRMAN. Thank you very much.

Mr. Jones?

Mr. JONES of Missouri. Mr. Taylor, I understood Mr. McGuire a moment ago to mention something about \$11 million.

Mr. TAYLOR. He could explain more fully what he had in mind than I can. My understanding is that the entire project will have a cost tag of perhaps that amount. I did not really realize that it was that much. Part has already been expended. Part of the buildings have already been constructed.

The purpose of this bill is to encourage private donations and gifts in aiding and developing the project, so that much of this money can come from private donations, rather than from appropriations.

Mr. JONES of Missouri. Well, now, I followed the testimony of Mr. McGuire, and he mentioned \$11 million. He said that that came out of the forestry funds, and this led me to believe that we were going to have to increase the appropriations for the Forest Service. I have no objection to creating and giving authority for these things when people come in and say that the public is going to contribute. I would like to make it possible and to give them thanks for contributing, but in this time, when we are talking about trying to balance the budget and we are talking about increasing taxes, I am just not going to vote for any more programs which are going to require more tax money. I sympathize with what is trying to be done. I think it is very worthwhile. These people who want to contribute, I think they can contribute now if they want to do so, but this \$11 million is just a small thing—everybody says that is just \$11 million, and that is not going to contribute much to the \$146 billion budget. We have to make a stop. I do

not think this is an appropriate time to add another obligation which is going to require additional tax money.

I would like to have your comment on that.

Mr. TAYLOR. I might add that there is a Job Corps camp that will do much of the work. The Job Corps camp is already there.

Mr. JONES of Missouri. That is tax money, too.

Mr. TAYLOR. That will do much of the work.

Mr. JONES of Missouri. I heard over the television last night where we are taking some of these hard-core unemployed boys who have not had a job and we are going to set them up and pay them \$1.60 an hour to go to school which, to me, is one of the craziest things I have heard about in a long time. And I am going to ask the people who are handling programs like that some questions.

We have to take a look at these dollars, because we are spending more dollars all of the time for things that can be postponed. I want to postpone them just a little longer, until we can make some progress here with a balanced budget.

I am sorry that this happens to be a project of yours. I like all of these things, but if the people want to pay for them there is nothing now to keep them from making contributions to the Forest Service.

Mr. TAYLOR. I agree fully with that which has been said in regard to the need for economy at the present time, and I would like to point out again that this is a bill that is designed for the purpose of encouraging private donations to do a job which Forest Service is already doing. The Cradle of Forestry is already established. Big signs are up telling where it is. Buildings are already erected. The schoolhouse reproduction has already been donated and placed there. The visitors' center is already there, and they have a film there to tell the story to the visitors who come there.

The purpose of this is to encourage private donations to aid in the furtherance of the program. It does go a step farther and defines the boundary lines of it. Passing this legislation does not cost any money. The Forest Service already has the power to develop the Cradle. It has committed itself to developing it, and it is in the process of developing it, and this is to help get private donations of materials and money to aid it and it eases the process by which these donations can be accepted. At present, the Forest Service has to enter into a special written contract with any person who makes any kind of a donation. This would eliminate that need.

Mr. JONES of Missouri. If they have the authority to do it, I do not see any reason why not. In other words, all of this testimony this morning has led me to believe that they already have the authority, and we are now just giving our OK to it, and this is encouraging the spending of more money and to ask for increased appropriations later. I have looked at all of these bills for authorization very carefully, because I do not want to be on record as voting for anything which is authorizing any increase in authorization of tax money until we get in a little better shape financially. That is my point.

Mr. TAYLOR. This bill, if I could answer the gentleman, is not an authorization for any spending. At the present time, any individual who wishes to donate money to the Secretary of Agriculture for this project has to enter into a written cooperative agreement specifying just how the money will be handled.

Mr. JONES of Missouri. Is there any difficulty getting that done now?

Mr. TAYLOR. It is cumbersome; it is difficult, and the present purpose of this is to encourage private donations. We have had expressions of interest from many, many people who are interested in forestry and are interested in this conservation project who will make donations of material. The schoolhouse has already been donated and erected and is in operation. And there are others who are interested in making donations. This is to prevent the Federal Government from having to do the entire project at the taxpayers' expense.

Mr. JONES of Missouri. Would you have any objection to writing into this bill that it has no intention of incurring any further Federal expenditures, and it is for the purpose of encouraging private donations?

Mr. TAYLOR. I think it says that.

Mr. JONES of Missouri. You do not spell it out. It gives our OK to the spending of more money, and they will be in here asking for more money; that is, the Forest Service, to develop this, and that is what makes these bureaucracies grow around here, a little here and a little there, and here we go!

Mr. TAYLOR. It gives no spending authority to the Forest Service.

Mr. JONES of Missouri. They already have it?

Mr. TAYLOR. That is right, and this just encouraging private donations to aid, so that they will not have to spend the taxpayers' money.

The CHAIRMAN. Mrs. May.

Mrs. MAY. I do not want to belabor the point, but could you explain for the record, either one of you, just what this bill does as far as the ability of the Department to accept private donations? I am not sure that I understand that.

Mr. TAYLOR. Perhaps the Forest Service representative would be the best one to answer that.

Mrs. MAY. Perhaps; yes, Mr. McGuire could.

Mr. MCGUIRE. This bill would make it easier for the Secretary of Agriculture to accept small donations. He has authority now to enter into cooperative agreements with private individuals and organizations, but he does not have the authority to easily accept a large number of small donations. For example, someone wants to donate \$25, it might wind up costing the Government \$30 to receive the money. This is because of the nature of the authority under which we have been operating. The authority to cooperate involves drawing up a cooperative agreement with each individual. This bill would simplify the paperwork connected with such transactions.

Mrs. MAY. In other words, if I wanted to give \$25, this bill conceivably would enable the Forest Service to do it without paperwork. Is there a form that must be jointly filled out?

Mr. MCGUIRE. We would have to enter into an agreement at this time saying what the money is for, and that we desire to cooperate in doing something. That is the present procedure. This bill would simplify that, so that it would simply be a matter of accepting a check or the money and depositing it without any formal agreement.

Mrs. MAY. Are these agreement forms available at the site of this place?

How is it done now? Say that I want to give \$50. I go to sign this form—or how do I do this?

Mr. McGUIRE. At the present time, the moneys that have been donated have come to us through the alumni association of this old Forestry School, but we expect there are many other individuals who will go and visit the area who might prefer to send a donation to the Secretary of Agriculture which he could then accept.

Mrs. MAY. Under the present circumstances, if I send you a check, you would have to return a form in the mails to me and I would have to sign that?

Mr. McGUIRE. That is correct.

Mrs. MAY. What would these forms say?

Mr. McGUIRE. This would say, roughly, that you and the Secretary of Agriculture, being interested in developing this area, agree to cooperate. You would agree to put your money in, and he would agree to do something with it. Both of you would sign the agreement and it would become a part of the records. This would be done under the Secretary's authority to cooperate.

Mrs. MAY. And if this bill were passed, all that would be necessary would be that I would send a check directly to the Secretary of Agriculture with a letter saying that I wanted to deposit it in a special fund?

Mr. McGUIRE. He would say "Thank you," and that is the end of it.

Mrs. MAY. Thank you.

That is all, Mr. Chairman.

Mr. TAYLOR. Could I add one additional statement there on that point?

The CHAIRMAN. Yes.

Mr. TAYLOR. Mr. Hanlon, who is the director of the North Carolina national forests, told me that a week or two ago he turned down a \$25 check donation to the project because he figured it would cost the Government more than \$25 to process it and get the agreement drawn up and signed.

Mrs. MAY. You do not have any such thing under this then?

Mr. McGUIRE. We do not have a formal agreement drawn up for individuals; we have one agreement with the alumni association.

The CHAIRMAN. I want to congratulate the gentleman from North Carolina for his presentation.

Mr. Burke?

Mr. BURKE. I would like to ask a question. Since I am new on this committee, could you tell me whether or not the Forest Service of the Department of Agriculture spends money?

Mr. McGUIRE. Yes, sir; it does.

Mr. BURKE. For what purpose?

Mr. McGUIRE. It spends money for three main purposes: (1) to protect and manage the 187 million acres of national forests; and (2) it cooperates with private individuals in fire protection, tree planting, and other forestry measures; and (3) it conducts a program of forestry research.

Mr. BURKE. That is the only way it does it, so far as you know—and in personnel development programs and the like in the national forests?

Mr. McGUIRE. It carries on various personnel and other programs in connection with these three main activities.

Mr. BURKE. The reason I ask is that I notice, in glancing through this bill, that the area is designated as the "Cradle of Forestry" and "shall be administered, protected, and developed within and as a part of the Pisgah National Forest by the Secretary of Agriculture in accordance with the laws, rules, and regulations applicable to national forests in such manner as in his judgment will best provide for the purposes of this act."

Does this not mean that under the act, that is, the National Forest Act, if this bill is passed, the Secretary of Agriculture can spend money out of the general appropriations for the Forest Service?

Mr. McGUIRE. Yes, sir; he already has that authority.

Mr. BURKE. That he could; and in the long run spend money which would cost money, could he not?

Mr. McGUIRE. The construction of this facility will cost money, but this is not an authorization bill.

Mr. BURKE. I understand that, but your testimony is that this would not cost the taxpayers any money, that this would be handled by donations. I cannot understand how the bill can say one thing and you can come up and say something else that is different and put into the record a statement that it would not cost anything.

Mr. TAYLOR. If I could answer, perhaps I could point out again that the Forest Service already has the authority to construct it. It has already approved the project. It is partly complete now.

This legislation does not grant any authority whatsoever.

The Chairman, I think, Mr. Poage, placed his finger on it.

Mr. BURKE. Could I interrupt? I agree with you. Section 2 does grant the authority of the Secretary of Agriculture to run this the same as any other national forest in his management, which would mean the construction of buildings and that would mean additional personnel required for maintenance and other matters. And further, it seems to me—as I say, I am new—authorize more than just the acceptance of the money. Supposing you do not get the money from any source, the \$12 million or the \$10 million, whichever is suggested—and incidentally, there is nothing in the bill that says anything about that. I think the statement here is by Mr. McGuire that it would cost around \$11 million in round figures, and sometimes round figures can go up to \$30 million—

Mr. TAYLOR. I will say to the gentleman that in my opinion section 2 is not necessary to this bill. I am not certain that it does anything. The Secretary of Agriculture already has the authority to operate the Cradle of Forestry, and he is so doing and has done so for a few years.

Mr. BURKE. All right, that is fine. But what you say is that you have no objection to that coming out. As was stated, you have no objection to the bill specifically stating that no money appropriation shall be made other than that received from donations in connection with this development.

Mr. TAYLOR. I would have objection to that.

Mr. BURKE. I thought that you would not.

Mr. TAYLOR. This legislation does not grant any additional spending authorities. The authority already exists. Whether the Department in the future shall see fit to request approval of spending for this

project, I do not know, but this bill does just what the chairman says, it cuts governmental redtape in order to make it easier to accept gifts and donations from interested citizens.

Mr. BURKE. Of course, the Secretary of Agriculture could then ask for further appropriations for this development.

Mr. TAYLOR. Yes, he can do that under existing authority.

Mr. BURKE. Not on the developing of the National Forests under the National Park Act?

Mr. TAYLOR. Under existing authority, he can and does and has. The project is already partly completed and in operation.

Mr. BURKE. I will take your word for that.

Thank you.

That is all, Mr. Chairman. No, I have one further thing.

May I also say that in the beginning part of the bill you say that the Secretary of Agriculture has the right to do this. The bill says that "the Secretary of Agriculture is hereby authorized to establish the cradle of forestry in America in the Pisgah National Park, North Carolina." The bill says that he will be given the authority. How does he have the authority then?

Mr. TAYLOR. Let me say that the cradle, while it is in operation, does not have specific boundary lines. It is part of the Pisgah National Park which, I think, has about 170,000 acres in that one unit, and several hundred thousand acres in several other units. This designates the specific area as the cradle of forestry which will be administered slightly differently from other parts of the forest, but the one important part of the bill is that it authorizes the acceptance of donations, and there are interested people who want to make these donations and it cuts the governmental redtape so that it would be practical to receive anything that is offered that is needed.

Mr. BURKE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any other questions?

Are there any other questions of either of these two witnesses?

If not, we are very much obliged to you, gentlemen.

We appreciate your attendance.

May I go off the record?

(Discussion was had outside the record.)

The CHAIRMAN. Back on the record.

We will now go into executive session.

We are very much obliged to you gentlemen for your contribution and we appreciate your attendance.

(Whereupon, at 11:50 a.m., the committee retired into executive session, and the reporter was excused.)

project, I do not know, but this bill does just what the chairman says it was governmental red tape in order to make it easier to receive gifts and donations from interested citizens.

Mr. HANCOCK. Of course, the Secretary of Agriculture would have to ask for further appropriations for this development.

Mr. HANCOCK. Yes, he can do that under existing authority.

Mr. HANCOCK. Now on the developing of the National Forests under the National Park Act.

Mr. HANCOCK. I believe existing authority can authorize and has authorized the progress is already partly completed and in operation.

Mr. HANCOCK. I will take your word for that.

Thank you.

That is all, Mr. Chairman. Now, I have one further thing.

May I also say that in the beginning part of the bill you say that the Secretary of Agriculture has the right to do this. The bill says that the Secretary of Agriculture is hereby authorized to establish the grade of forestry in America in the Forest National Park, Korea, China, etc. The bill says that he will be given the authority. How does he have the authority that?

Mr. HANCOCK. Let me say that the grade while it is in operation does not have specific boundary lines. It is part of the Forest National Park which I think has about 17,000 acres in that one unit, and several hundred thousand acres in several other units. The boundaries are the grade of forestry which will be administered slightly differently from other parts of the forest, but the one important part of the bill is that it authorizes the acceptance of donations and that the interested people who want to make these donations and it cuts the governmental red tape so that it would be practical to receive anything that is offered that is needed.

Mr. HANCOCK. Thank you.

That is all, Mr. Chairman.

The Chairman: Are there any other questions?

Are there any other questions of either of these two witnesses?

It now remains very much obliged to you, gentlemen.

We appreciate your attendance.

May I go off the record?

(Discussion was had outside the record.)

The Chairman: Back on the record.

We will now go into executive session.

We are very much obliged to you gentlemen for your contribution and we appreciate your attendance.

(Witnesses at 11:50 and the committee retired into executive session, and the reporter was excused.)

CONVEYANCE OF LAND TO THE STATE OF IOWA

WEDNESDAY, MAY 15, 1968

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DEPARTMENTAL OVERSIGHT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

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

Present: Representatives Jones, Kleppe, and Price.

Also present: Martha Hannah, subcommittee clerk; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant staff consultant.

Mr. JONES. The subcommittee will come to order.

We are here to consider H.R. 16065 by Mr. Scherle and Mr. Kyl, directing the Secretary of Agriculture to release on behalf of the United States conditions in deeds conveying certain lands to the State of Iowa, and for other purposes.

(H.R. 16065 follows:)

[H.R. 16065, 90th Cong., second sess.]

A BILL To direct the Secretary of Agriculture to release on behalf of the United States conditions in deeds conveying certain lands to the State of Iowa, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of subsection (c) of section 32 of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1011(c)), the Secretary of Agriculture is authorized and directed to release on behalf of the United States with respect to lands designated pursuant to section 2 hereof, the conditions in those two deeds dated July 29, 1955, conveying lands in the counties of Monroe and Decatur in the State of Iowa to the State of Iowa acting by and through its State board of regents for the use and benefit of the agricultural experiment station of the Iowa State College of Agriculture and Mechanic Arts, now Iowa State University which require that the lands so conveyed be used for public purposes and provide for a reversion of such lands to the United States if at any time they cease to be so used.

SEC. 2. The Secretary shall release the conditions referred to in the first section of this Act only with respect to lands covered by and described in an agreement or agreements entered into between the Secretary and the university in which the university, in consideration of the release of such conditions as to such lands, agrees—

(1) that all the proceeds from the sale, lease, exchange, or disposition of such lands shall be used by the university for the acquisition of lands to be held for university purposes, or for the development or improvement of any lands so acquired;

(2) that all the proceeds from the sale, lease, or other disposition of lands covered by any such agreement shall be maintained by the university in a separate fund and that the record of all transactions involving such funds shall be open to inspection by the Secretary of Agriculture.

SEC. 3. Upon application, all the undivided mineral interests of the United States in any parcel or tract of land released pursuant to this Act from the conditions as to such lands shall be conveyed to the State of Iowa for the use and benefit of Iowa State University or its successors in title by the Secretary of the Interior. In areas where the Secretary of the Interior determines that there is no active mineral development or leasing, and that the lands have no mineral value, the mineral interests covered by a single application shall be sold for a consideration of \$1. In other areas the mineral interests shall be sold at the fair market value thereof as determined by the Secretary of the Interior after taking into consideration such appraisals as he deems necessary or appropriate.

SEC. 4. Each application made under the provisions of section 3 of this Act shall be accompanied by a nonrefundable deposit to be applied to the administrative costs as fixed by the Secretary of the Interior. If the conveyance is made, the applicant shall pay to the Secretary of the Interior the full administrative costs, less the deposit. If a conveyance is not made pursuant to an application filed under this Act, the deposit shall constitute full satisfaction of such administrative costs notwithstanding that the administrative costs exceed the deposit.

SEC. 5. The term "administrative costs" as used in this Act includes, in addition to other items, all costs which the Secretary of the Interior determines are included in a determination of (1) the mineral character of the land in question, and (2) the fair market value of the mineral interest.

SEC. 6. Amounts paid to the Secretary of the Interior under the provisions of this Act shall be paid into the Treasury of the United States as miscellaneous receipts.

Mr. JONES. The author of the bill, Mr. Scherle, is not here.

Do you prefer, Mr. Kyl, to make a statement now?

Mr. KYL. Yes, sir.

Mr. JONES. You may proceed.

STATEMENT OF HON. JOHN KYL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. KYL. Thank you, Mr. Chairman, and gentlemen of the committee. Mr. Scherle is on his way here.

One of the things Mr. Scherle will ask the committee's permission to do, is to file a complete statement on behalf of the university setting forth the reasons why they are requesting the action which is contained in this bill. His testimony is somewhat parallel to mine but I shall try to make this completely germane so we do not waste any time.

Mr. Scherle and I have studied the request of the college of agriculture which is embodied in this bill. Both of us have beef cowherds in southern Iowa. We believe that the reasoning of the college is meaningful and logical.

The State of Iowa has approximately one-fourth of all the class I land of the United States. However, the land of southern Iowa lies outside that relatively flat area with the deep rich soil. Much of southern Iowa is grazing country. I relate this condition as prelude to stating the estimated dollar value of the land involved in this bill.

These estimates of land evaluation were determined by contact with bankers, real estate men, comparative actual land transactions, advertised real estate offerings, and by application of the huge store of information available to agricultural economists at the college.

The 410-acre tract near Lineville is estimated to have a current market value of approximately \$150 per acre for an aggregate worth of \$61,500. The 545-acre tract near Albia is evaluated at \$200 per acre for an aggregate of \$109,000.

These evaluations are higher than would be the case in many nearby tracts, because the improvements and the management by the college has enhanced the land value.

I would like to note again that this bill was drawn so as to be consistent with previous bills which have received favorable consideration by your committee and by the Congress.

We would be happy to respond to any questions you might have in considering this proposal.

Mr. JONES. Suppose that we hear Mr. Scherle's testimony, and then we can question both of you, if you will just remain?

We shall be glad to hear from you now, Mr. Scherle.

**STATEMENT OF HON. WILLIAM J. SCHERLE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF IOWA**

Mr. SCHERLE. Mr. Chairman and members of the committee, I apologize for being late. It seems like even the best-laid plans of mice and men sometimes go astray.

Mr. JONES. That is all right, Mr. Scherle. We are happy to have you here, and we will be pleased to hear from you in support of your bill H.R. 16065.

Mr. SCHERLE. Let me begin by expressing our appreciation to your subcommittee for giving us this opportunity to present testimony on behalf of H.R. 16065. We both are aware of the time required of the members of the House Agriculture Subcommittee, and of the importance of other business which demands your attention.

H.R. 16065 relates to about 955 acres of land acquired from the United States under title II of the Bankhead-Jones Farm Tenant Act. These lands are located in Decatur and Monroe Counties in southern Iowa. They consist of two separate parcels, 410 acres near Lineville and 545 acres near Albia.

Title III of the Bankhead-Jones Act authorized the Secretary of Agriculture to convey lands to public agencies under terms and conditions deemed to best accomplish title III purposes, on condition that the property conveyed be used for public purposes. In 1955, the Secretary conveyed the tracts to Iowa State University—then Iowa State College of Agriculture & Mechanical Arts—subject to the required public-use condition.

The lands, which are the subject of our consideration here today, are being used in connection with the experiment station-extension service research on beef cattle.

As is discussed in detail in the statement from Dr. H. L. Self which will be submitted as a part of this record, the characteristics of this land are such that they do not, as separate units, fill the need for research facilities in the southern portions of Iowa at the present time.

I need not tell you that farms are much larger than they were when these farms were set up 30 years ago.

According to Dr. H. L. Self, professor-in-charge of outlying experimental farms, in a letter dated August 9, 1967, "The present capacity of these two farms to carry beef cattle has become inadequate to result in an efficient operation in terms of our present research needs."

The two parcels involved are separated by approximately 75 miles, and cannot be operated as an efficient unit. Consequently, it is the desire of Iowa State University to be enabled to sell, lease, exchange,

or otherwise dispose of these properties, and it therefore seeks removal of the restrictive conditions in its deeds.

Section 1 of H.R. 16065 authorizes the Secretary of Agriculture to release from the "Public Use" requirement in the 1955 deeds to the specified properties.

Section 2 provides that the proceeds from a sale, lease, or other disposition of such lands be maintained by the university in a separate fund, and that the university would use the proceeds for the acquisition of lands or the development of improvement of any lands so acquired. I believe this is in accord with the purposes of the original conveyance to the university.

Section 3 deals with the question of mineral rights. The deeds in question, reserve to the United States, mineral rights, mining rights, and the rights to enter upon such land for the removing of such minerals. The provisions of H.R. 16065 were drafted by the general counsel for the Department of Agriculture following changes made last year by your committee during consideration of H.R. 11527, a bill introduced by Congressman Hathaway of Maine to deal with a situation nearly identical to the one which we consider today.

Section 3 further authorizes the release by the Secretary of the Interior of the Government's mineral rights. The bill authorizes the Secretary to release these rights for a nominal consideration, if he determines that the lands have no mineral value. Otherwise, the mineral interests are to be sold at their fair market value.

Section 4 authorizes the collection of "Administrative Costs" for application made under the provisions of section 3 and empowers the Secretary of the Interior to establish the amount of the nonrefundable deposit to accompany each such application.

Section 5 defines the term "Administrative Costs" as used in the act.

Section 6 provides for the deposit with the Treasury of sums received under this act as miscellaneous receipts.

At this point, I ask permission to insert in the record a statement prepared by Dr. H. L. Self, professor-in-charge of outlying farms. May I also note that the statement has the concurrence of Dean Floyd Andre, who has the administrative responsibility for land and other assets assigned to the college of agriculture.

May I also submit for appropriate disposition by the committee, copies of the two pertinent deeds.

Mr. JONES. Without objection, the statement of Professor Self will be incorporated in the record following your and Mr. Kyl's presentations.

Do you think it necessary that the deeds be put into the record? Are they long?

Mr. SCHERLE. No, Mr. Chairman. What I would like to do is simply submit them.

Mr. JONES. I see. Without objection, we will accept them for the files of the committee but not to be made a part of the record.

(The copies of deeds referred to will be found in the files of the subcommittee.)

Mr. JONES. Are there any questions of either Mr. Scherle or Mr. Kyl?

Mr. KLEPPE. You made the statement here that this bill is almost or nearly identical with the one that we passed last year that Congressman Hathaway introduced.

Mr. SCHERLE. Yes.

Mr. KLEPPE. What differences are there between that bill and this one, particularly?

Mr. SCHERLE. The difference is in section 2, dealing with disposition of proceeds. The Hathaway bill would originally have permitted use for improvement of lands of the university in addition to the acquisition of lands. Because the Senate was concerned with the breadth of this provision, that portion dealing with improvement was stricken.

Mr. KLEPPE. That is a substantial difference, is it not?

Mr. SCHERLE. Pardon?

Mr. KLEPPE. Is that not a rather substantial difference?

Mr. SCHERLE. The difference is that our provision was more restrictive at the outset. Our section 2 would permit acquisition of lands to replace existing property and the improvement of lands so acquired.

Mr. KLEPPE. Where were you reading from?

Mr. SCHERLE. Page 2 of our bill.

Mr. KLEPPE. What line?

Mr. SCHERLE. On H.R. 16065, subsection 1 of section 2. It is the 14th line, and states—

That all the proceeds from the sale, lease, exchange, or disposition of such lands shall be used by the university for the acquisition of lands to be held for university purposes, or for the development or improvement of any lands so acquired.

So, really, the change is not necessarily great for the simple reason that if the land is sold in excess of the amount of money required to replace it, this should not prevent them from making additional improvement on such lands as are acquired.

Mr. KLEPPE. This is a matter of where this land was deeded to the University of Iowa which was then called Iowa State College and Mechanical Arts at that time—it was deeded to them in 1955—the Secretary conveyed these lands to the university in 1955. They had been used, of course, for the purposes stipulated under the terms of that transaction at that time, and the basis for H.R. 16065 is to release the university from the public use provision under which that deed was transferred at that time, together with the utilization of the funds acquired from the sale. They may be used for the development of other university property. This is about what it is?

Mr. SCHERLE. That is correct. In the statement furnished by Dr. Self, the last paragraph, is self-explanatory.

Mr. KYLE. Could I respond to that?

Mr. KLEPPE. Yes.

Mr. KYL. The university does not contemplate abandoning the purposes for which these lands were acquired. These two tracts are many miles apart. They do not constitute a unit of sufficient size and value to carry on the experimentation which they feel is necessary. Therefore, the funds to be derived from this transaction would be utilized from purchasing a single tract which would be utilized for the same purpose, plus the development of that tract in any way that they deem necessary.

And if I might respond just one bit further: In carrying out the appropriation for experimentation on these lands, the university has spent a lot of money in contributions from taxes to provide the kind of improvement on the land which they make tests for future recommendations to the farmers in the areas who are engaged in similar operations, and the improvements on the land which are suggested in the bill are only which are, for instance, in the establishment of farm ponds for stock watering and perhaps a study of new means for watering stock or feeding with experimental grasses which might have a higher carrying capacity, or any of these practices with which you all are very familiar.

Mr. KLEPPE. I accept your explanation, Mr. Kyl, and I agree with it. I think this is exactly what it says.

The point that I am trying to make is that the legislation is asking for relief from the stipulation of public use that was originally covered under the deed that conveyed this land from the Secretary to the university back in 1955; is that correct?

Mr. SCHERLE. If I might answer your question: The legislation we are contemplating here this morning—in the Iowa Legislature we call this a legalizing act; in other words, it is nothing more than to grant permission to an agency or department to solve a problem or legalize an action that affects no other agency or department.

Mr. KLEPPE. That is what this covers here?

Mr. SCHERLE. This is right.

Mr. KYL. May I respond one bit further?

Mr. KLEPPE. Yes.

Mr. KYL. I think what the bill actually calls for is the transfer of this public use from these two tracts to a tract which would be purchased.

Mr. KLEPPE. I will accept that. I think your legislation covers that.

Mr. KYL. That is right.

Mr. JONES. In other words, you mean that they do not contemplate selling either one of these two tracts?

Mr. SCHERLE. There is a possibility that one or the other, or both, might be sold to make an efficient unit for the continuation of a beef-cow herd. The land in southern Iowa is not geared for crop production as much as it is for the raising of beef cattle. The units are 75 miles apart. They are too small as separate units to be efficient or as they would be if they were allowed to become a large unit. There is a possibility that one or the other would be sold and joined to the one that is left, or both could be sold so they could purchase a larger unit which would be much more efficient to continue the production and research of beef cattle as we all know it.

Mr. JONES. These are small tracts of land, you say. They do not seem very small to me. Of course, in Mr. Price's area they would be small.

Mr. KLEPPE. In my area they would be, too.

Mr. JONES. In Iowa, if you have a 400-acre farm I think you would be pretty well off.

Mr. SCHERLE. If I may refer this question to Mr. Kyl because this is his district and he is very familiar with land use in that area.

Mr. JONES. What type of land is it?

Mr. KYL. When I first made my statement, I pointed out, Mr. Jones,

that this is not the deep rich relatively flat land which we usually think of in connection with Iowa's corn country.

My own county which is an adjoining county is 65 percent tree covered. It is more rolling. It is subject to siltation, to serious loss of soil. Conservation practices are essential. The soil is thin. It is particularly suited to grazing. As a matter of fact, my home county and the other next to it are among the four or five top sheep-producing counties in the United States annually—and have been for many years. It is a grazing country.

Now, you asked about the sizes of these pieces of land. Because of the carrying capacity of the land, we know that for a herd of 100 animal units, 100 cows, it cannot provide a decent living in this area—or in any other, as a matter of fact at this time. It is simply a matter of economics.

Mr. JONES. In other words, would it take more than 4 or 5 acres to carry one head?

Mr. KYL. Year-round, yes, sir, but the unit——

Mr. KLEPPE. You are talking about 100 cows which make for a greater number of cattle.

Mr. KYL. An animal unit, being a cow and a calf produced each year. If we use the figures from the Universities of Iowa, Illinois, Nebraska, we find that most economists now figure it costs them \$70 to \$80 a year to maintain a cow in a breeding herd. If we sell calves at 400 pounds, which is a pretty good average figure for an early sale, at 25 cents a pound, which is an average figure for the last many years, we have \$100 produced and \$80 expended. And you can see that if this is the operation, it would take 100 to 150 cows to provide a minimum income for the individual who has the investment in the land.

Mr. JONES. One other question: What would you think would be the use to which this land would be put by the new purchaser?

Mr. SCHERLE. Perhaps to maintain a smaller herd of cattle, or perhaps, a dairy.

Mr. Kyl and I both have beef cattle. He has a herd of Black Angus and I have a herd of shorthorn beef cows. So, we are very cognizant of what it takes for this type of an operation.

In his general area, it takes 4 or 5 acres to maintain a cow and a calf, and in my part of country we can get by with 1 acre. So, you can see the productivity of better land. This is primarily grazing land. All the university asks for is that they be allowed to sell one parcel or both parcels of land which are 75 miles apart, and combine this with additional land, to make for an efficient operation.

Mr. JONES. Thank you.

Mr. Price wants to ask a question.

Mr. PRICE. You know, this is my profession, too.

We all know about cow numbers, how many acres it takes per head to run an efficient unit. To me this is talking about another subject. We are not talking about running an efficient unit in your area; we are talking about a gift to a school. I can see that in order to run a more efficient operation that the land, of course, should be put together.

A question comes to my mind. I see it happening in agricultural schools. The population on the farms is going down and there is a

shift from some agricultural objective in our agricultural schools to some other unrelated objective, such as engineering and things of this nature, a shift away from research and experimentation in our agriculture areas.

If the school has another area in mind or another piece of land, an adjoining property, to one of the parcels, I would certainly be for it, but if they want to sell this property and put this money in, say, the bank until such time as they can shift it into some other area. I just cannot be for that.

Mr. SCHERLE. No; it is not the idea or the intent to do that, because, as I mentioned in my statement this morning, the sale of this land is covered in section 2 which provides that the proceeds from the sale, lease, or other disposition of such lands shall be maintained by the university in a separate fund, and that the university will use the proceeds for the acquisition of lands or for the development or improvement of any land so acquired.

Mr. PRICE. Do they have another plot adjoining one of these parcels in mind now?

Mr. SCHERLE. I do not believe they have at the present time. This will require legislation that will allow them to sell one or the other before they purchase. However, a great deal of research and technology has come out of Iowa State College in the past years because of which we have all been better farmers—by reason thereof, and they will be able to buy additional land, and they will improve it to the extent that we all will be, I believe, benefited by the research which will be carried out on the land.

Mr. PRICE. I am just exploring this subject.

Mr. SCHERLE. I realize that; we appreciate your interest.

Mr. KYL. Might I respond to that?

Mr. PRICE. Yes.

Mr. KYL. As indicated previously, they are not trying to abrogate any public responsibility, insofar as the use of the land for public purposes are concerned. They are simply seeking to transfer that responsibility to another area from which they can carry on the kind of experimentation which will be meaningful. If these two tracts were together in one unit now instead of being 75 miles apart, they would have such a unit. They do not have it at this time.

Mr. SCHERLE. If they did, we would not be here.

Mr. PRICE. You know, sometimes a bird in hand is worth two in the bush. I would hate to see this, in the hope that sometime in the future they would hope to buy land adjoining.

Mr. SCHERLE. No; let me give you this assurance, since Mr. Kyl and I are both in the beef production business. I can guarantee you that if this piece of legislation is adopted, that the college will adhere to the reasons for this bill.

Mr. PRICE. Do you think that with this number of acres they will be able to grow sufficient food?

Mr. SCHERLE. I am sure that they can do a much better job.

You see, right now, the way it is being handled, they have one part of the herd over here and a part of a herd over here (indicating), and this land is only used for grazing purposes. We know that the most efficient operation is under one roof. All we are asking is that these farms which are 75 miles apart be allowed to be put together.

Mr. PRICE. How much is this land appraised for?

Mr. KYL. \$150 on one and \$200 on the other. These figures are probably, as I indicated, higher than on much of the adjacent land, because of the improvements and the management by the university over a 30-year period of time.

Mr. SCHERLE. To give you another idea, comparing the land that we have reference to here, the land that I farm, sells for between \$500 and \$600 an acre.

Mr. PRICE. That is all. Thank you.

Mr. JONES. Mr. Kyl, you mentioned that this has been going on over a 30-year period of time. These deeds were made in 1955. Did they have control over this land before they acquired this?

Mr. KYL. The statement from the manager of the outlying farms for the university indicate that they have apparently had some management over this land or portions thereof for about 30 years, yes.

Mr. KLEPPE. That was under the Bankhead-Jones Act, where they might have had management over it before the deeds were given?

I have one further question of the gentlemen, Mr. Chairman.

Mr. JONES. Proceed.

Mr. KLEPPE. First of all, we passed H.R. 11527, which had to have a two-thirds vote, and we had a two-thirds vote. My question is: What specific objection do you have to using the same language under section 2, subparagraph 1, that you recited to me earlier to my question about the difference in the language between the Hathaway bill and this one? I am thinking of passing a bill that would not have that difference. What was the matter with the language that was passed before?

Mr. SCHERLE. If I may read the committee print or the report. Originally, it was conveyed to the university on the condition that it be used for public purposes. And the committee felt that that condition should attach to any land acquired from the proceeds from the sale of the original land. The committee regarded university purposes as being public purposes, in the case of the State university; however, the committee felt that the development or the improvement of the lands of the university was not, necessarily, public purposes since, conceivably, the university might own lands for investment purposes and devote it to housing or commercial use. This is the amendment that was agreed to in the Senate.

Mr. KLEPPE. On H.R. 11527?

Mr. SCHERLE. The committee recommended deletion of the phrase just quoted.

Mr. MURRAY. Mr. Chairman, the Senate language was just a little bit different than the language of the Scherle-Kyl bill. The Senate struck from the House bill the language which said, "or for the development or improvement of the lands of the university." The Senate and the Senate committee were concerned that the funds that were generated by the conveyance might be used to improve existing university lands and would not be used on the new land at all. So, they deleted the House language, and we concurred in that amendment. The University of Maine bill then was enacted into public law.

In the Iowa bill, however, any sales proceeds are restricted to the improvement of the land acquired. So, it would seem on the surface that the Senate would be willing to accept the language in the Iowa

bill, because it is limited only to the improvement of the new property that is, the funds would be limited to the improvement, on any new land so acquired, and they could not use it for buildings or other lands of the university.

Mr. KYL. This is why the language in this bill was changed to comply with the desires of the Congress in that other bill.

Mr. PRICE. I have another question, Mr. Chairman.

Mr. JONES. Very well.

Mr. PRICE. These university experimentations have for many, many years done research whether it be on cows or steers or heifers. Would this money be used for that purpose in this instance?

Mr. SCHERLE. This money will be restricted to the land improvement purposes for this use.

Mr. PRICE. May I ask one more question?

Is there any oil production around there—is there any oil production close around to these different parcels of land?

Mr. SCHERLE. Not to my knowledge.

Mr. PRICE. I am talking about other things, such as oil.

Mr. SCHERLE. I wish we had oil. We have had research on the feasibility of finding oil, but apparently none exists.

Mr. PRICE. You have no other production of any kind close around?

Mr. SCHERLE. I do not know of any.

Mr. KYL. Are you asking specifically about oil, sir?

Mr. PRICE. Oil, gas, or coal, anything of that nature.

Mr. KYL. Yes. I should provide a more full answer for that question. A month ago, we did not know of any commercial depositions of any minerals existing in this area. Since that time we have completed borings, specifically to find gypsum. There is a highly developed sulphate horizon in this area. There are commercial-size and commercial-quality deposits of gypsum, calcium sulphate dehydrate in this general area. The topography, the stratography, of the area would indicate that there is possibly, a value present in most of that area of Monroe Country for gypsum prospectively.

Mr. PRICE. To your knowledge, is there any recent activity in any mineral exploration?

Mr. KYL. This area, originally and especially the eastern half of Monroe County, was a soft coal mining area. That activity has almost ceased as it has everywhere else, because it is not commercially profitable.

So far as I know there are no leases—there is contemplation, however, for the development of the bed of gypsum in Monroe County. It will be developed. The size of the deposits and the quality of the deposits indicate that that would be a profitable operation.

The mineral rights of the Federal Government are protected under this legislation in the final sections of the bill. The minerals are reserved to the Federal Government.

Mr. PRICE. This bill covers that?

Mr. SCHERLE. Section 3 of the bill deals with the question of mineral rights. The deeds in question reserve to the United States the mineral rights and the right to enter upon such lands for the removal of such minerals.

Mr. KLEPPE. If I may interject?

Mr. PRICE. Yes.

Mr. KLEPPE. The Secretary of the Interior has the right to sell those mineral rights at the fair market value. He may not be as good a salesman as some, but the legislation provides that those values will come from that.

Mr. SCHERLE. Section 3 further authorizes a release by the Secretary of the Interior of the Government's mineral rights. The bill authorizes the Secretary to release these rights for a nominal consideration if he determines that the lands have no mineral value. Otherwise, the mineral interests have to be sold at the fair market value. So, we have provided the protection as far as mineral rights are concerned.

Mr. PRICE. Does the bill which authorizes him to transfer this land, does it authorize him also to sell the minerals?

Mr. SCHERLE. He may release the mineral rights, either for actual or nominal consideration, depending on the value of the minerals themselves, if any.

Mr. KLEPPE. If I may—the Secretary of the Interior does that.

Mr. SCHERLE. He has the jurisdiction.

Mr. PRICE. Why do you not try to get the minerals, too?

Mr. SCHERLE. This is Mr. Kyl's territory, perhaps he can explain.

Mr. KLEPPE. It is the same. If they have no value, the Secretary of the Interior has the right to sell them. If they do have a nominal value he can sell it at the fair market value. It is the same provision.

Mr. KYL. May I respond to this?

The Department's witnesses are much more fully qualified to respond to this than I. However, under normal procedure, the Bureau of Land Management, which acquires the jurisdiction from the Agricultural Department on land under this category, first makes a determination of whether or not there are any mineral values in the vicinity, and if there is no mineral value apparent the transfer is a rather easy thing; however, if there are mineral values possible, prospective in the area, then the Secretary, the Bureau of Land Management, actually makes whatever study and determinations are necessary, and if these studies indicate that there is no value, normally the cost of those studies for investigation is borne by the person to whom the title is transferred. So that under normal procedure, the taxpayer is protected, both from the standpoint of the investigation or the exploration; and should there be mineral deposits the taxpayer is protected by the procedures of the Bureau who sees to it that the Government gets its royalty or its money from the sale of those rights.

Mr. JONES. Are there any further questions?

If not, we thank you two gentlemen.

(The prepared statement of H. L. Self, professor in charge of outlying farms, Iowa State University, follows:)

STATEMENT OF DR. H. L. SELF, PROFESSOR, IOWA STATE UNIVERSITY

Iowa State University, as the Land Grant College in Iowa, has the responsibility of providing the educational and research programs in Agriculture for the people of the state. These are administered by the College of Agriculture with the Dean of the College of Agriculture having the administrative responsibility for all phases of undergraduate instruction and for the research activities. For administrative purposes research programs are the responsibility of the Iowa Agriculture and Home Economics Experiment Station of the College of Agriculture.

The production of all agricultural products including both livestock and crops are affected economically and physiologically by the environment in which they are produced. Although the original approach to agricultural research was to do all experimental work at the central research facility, it became evident that type of soil, climate, weather, and length of day were overriding factors in many cases that must be dealt with. Consequently, research sites were located in the major soils group areas in the state away from the main station at Ames. The first of these sites was established in March 1931 in Page County in Southwest Iowa, on the Marshall soils. Two more sites were established in that same year, one in north central Iowa near Kanawha and one in the sandy alluvial soils near the Mississippi River in Eastern Iowa.

Starting in 1935 Federal programs were initiated in Iowa to provide jobs for the unemployed and at the same time to demonstrate the benefits of applying the latest scientific information available to low fertility, badly eroded farms in Southern Iowa. Five sites were selected and land was purchased by the Federal Government for establishing "pasture improvement demonstration sites, showing methods of renovating and rehabilitating old pastures and other unproductive lands". Iowa State University cooperated in the development phase and later in the demonstrational phase of this project. At this time these sites were established in 1935 it was anticipated that the land acquired at each site was an acreage appropriate to result in an economic unit. This judgment appears to have been sound at the time. With new technology becoming available as a result of the various research programs these sites continued to be fairly efficient economically speaking up to the late 1950's. As new methods became available, as suitable labor became more difficult to acquire and as margins between costs of production and returns from the sale of agricultural products narrowed, it became necessary to increase the volume of production to compensate for the narrow profit margins being realized by farmers. This was accomplished by increasing the size of the farming unit and by increased production on a per acre basis by using the latest information available. Research activities by a public institution such as Iowa State University are responsive to the needs of the people served by the institution.

The research needs of 10 years ago are not necessarily the same as needed today. In Southern Iowa the soils erode a great deal if subjected to a continuous row cropping program. Consequently, other means of using the land wisely and profitably must be found. A continuous growing crop such as blue grass pasture will control the erosion, but the economic returns are inadequate even when a recommended fertilizer program is used. Therefore, new varieties of plants must be found and/or developed to provide the desired results. Once this step is accomplished a way must be found to efficiently and wisely use the higher production to be expected. Beef cattle use forages of this nature in large quantities and appear to offer the best possibility of providing an adequate economic return while providing for the proper use and integrity of the land.

The income from beef cattle is such that a herd of more than 100 cows is required to provide the income necessary to maintain the premises and provide an adequate income to support a family.

Based on previous experience at the 410 acre Lineville Farm, the maximum carrying capacity is about 75 beef cows and their calves. Not only does this result in a deficient return to operate as an economic unit, but the research data obtained from this relatively small number of observations make the accumulation of knowledge slow and expensive. If 100 cows is the smallest size unit to be considered under actual conditions, then two herds of 100 cows would probably be recommended for use in research so that one herd of 100 cows would serve as an experimental control and another herd of 100 cows would be used to determine the effect of the treatment being imposed by the research.

The above observations and examples clearly point out that a point has now been reached where the Lineville Farm is no longer adequate to serve the needs of the people in the area. Although the Albia Farm is larger (545) acres and will carry up to 150 cows, it too is inadequate in its present size to serve as an efficient experimental unit.

It was, therefore, our hope that provisions could be made to permit the sale of either or both of these two tracts of land and that the funds from such sale be used to obtain sufficient acreage in a single location or site that would provide for the pursuit of research with beef cow herds in the rough and highly erodible soils of Southern Iowa. In this endeavor Congressman William J. Scherle was contacted and his assistance requested. H.R. 16065 as a result of this

contact was introduced by Congressman Scherle and Congressman John Kyl to provide a means for accomplishing this objective. Its favorable consideration is encouraged.

The 410 acre tract near Lineville is estimated to have a current market value of approximately \$150 per acre for an aggregate worth of \$61,500. The tract near Albia of 545 acres is currently evaluated at \$200 per acre for an aggregate value of \$109,000. Much of the present value of these tracts is due to the contributions in resources by Iowa State University during the past 30 years. Therefore, much of the aggregate value represents an accumulation of the contributions in money, personnel, and technology by Iowa State University.

Mr. JONES. We will now hear from the Department, from Mr. M. M. Nelson, Deputy Chief, Forest Service. Mr. Nelson is accompanied by Mr. Reynolds Florance, Director, Legislative Liaison and Reporting, and Mr. F. W. Grover, Director, Division of Land Classification, U.S. Department of Agriculture.

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

**STATEMENT OF M. M. NELSON, DEPUTY CHIEF, FOREST SERVICE,
ACCOMPANIED BY REYNOLDS FLORANCE, DIRECTOR, DIVISION
OF LEGISLATIVE LIAISON AND REPORTING; AND F. W. GROVER,
DIRECTOR, DIVISION OF LAND CLASSIFICATION, FOREST SERV-
ICE, U.S. DEPARTMENT OF AGRICULTURE**

Mr. NELSON. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before this subcommittee today and present the Department of Agriculture's position on H.R. 16065.

H.R. 16065 would authorize and direct the Secretary of Agriculture to release, on behalf of the United States, certain conditions in two 1955 deeds conveying certain lands to the State of Iowa for the use and benefit of Iowa State College of Agriculture & Mechanical Arts, now Iowa State University. The release of the conditions would permit the State, subject to other conditions, to sell, lease, exchange, or otherwise dispose of such lands.

H.R. 16065 concerns 955.81 acres of land acquired by the United States in the 1930's and administered under title III of the Bankhead-Jones Farm Tenant Act. Title III of that act authorized the Secretary of Agriculture to convey lands to public agencies under the terms and conditions he deemed would best accomplish title III purposes and on the condition that the property conveyed would continue to be used for public purposes. If not so used, such conveyed lands would revert to the United States.

The lands with which this bill is concerned are in two tracts of 410 acres and 545.81 acres, respectively. They have been used by the university for beef cattle research and other experimental purposes. We understand that due to changes in farm size and operation and in the university's research and other related programs, the individual tracts do not provide a unit large enough to efficiently meet the university's needs. The university would like to sell or exchange one or both of the tracts and use the proceeds to establish a larger unit.

H.R. 16065 is similar to H.R. 11527 just recently enacted by the Congress and Public Law 84-237. Those acts covered lands conveyed to the University of Maine and to Clemson University in South Carolina under the same provisions and subject to the same conditions as

those conveyed to the State of Iowa. Those universities faced generally the same problems as Iowa State in trying to adjust the management and use of the lands conveyed to them under the conditions imposed in the original conveyances so as best to meet the changing needs of the universities.

Approximately 836,000 acres have been conveyed to various States and State agencies in 54 transactions under title III of the Bankhead-Jones Farm Tenant Act. All are subject to the same public use conditions as the lands in the three cases already brought before the Congress. We currently have requests in three other cases—Ohio, New York, and South Carolina—for release of the same conditions and for the same general reasons. Here I might interject that in our report we mention two additional cases. Actually, we have before us at the present time three new cases. We expect other requests in the years to come as resource management programs and practices and land uses for public purposes change to meet contemporary needs and demands. Under existing law, each such case would require special legislation authorizing the Secretary to release the conditions of the deed conveying the lands to the respective owning authority or agency.

For the foregoing reasons, we believe consideration should be given to a bill giving the Secretary of Agriculture general authority to release the conditions referred to when he determines disposal of a part or all of the conveyed lands by an owning authority or agency would be for purposes consistent with the public use requirement in the original conveyance. We believe that the sale or exchange of such lands, with the proceeds to be used for corresponding purposes of the owning authority or agency, as in the cases already considered and the one here under H.R. 16065, would be consistent with the basic purposes and the public use requirements of the original conveyances.

The original conveyances of those title III lands also reserved to the United States certain mineral interests. H.R. 16065 would give the Secretary of the Interior authority to convey, upon application, and for the fair market value thereof, the reserved mineral rights to the State of Iowa.

The Department of Agriculture supports enactment of H.R. 16065.

Mr. JONES. Thank you, Mr. Nelson.

Are there any questions?

Mr. KLEPPE. In one part of the statement, you do not deal with the specific bill we have before us today. It deals with general authority given to the Secretary of Agriculture who consummates similar transactions to the one that we have before us today. I just want to make a statement that so far as my own personal feelings are concerned, regarding that procedure, I take a dim view of that, and I think that is the purpose of this committee. I do not think that we are so overworked that we cannot afford to spend the time to come down here and have others present their individual views on any individual situation that may be involved, no matter how many there are. This is just another situation of keeping control in Congress rather than delegating it. It is easy enough for us to delegate this to the Secretary. My view is that I do not think it is necessary to do so.

I want to say, again, although it is not apropos to this specific bill that we have before us today, that that is my feeling. I just wanted to make these comments.

Mr. NELSON. The reason, of course, that we brought that up is that we already have three other States that will undoubtedly come before the committee.

Mr. KLEPPE. I think they should come here. That is the reason I wanted to make that observation.

Mr. JONES. Are there any other questions, Mr. Price?

Mr. PRICE. No questions.

Mr. JONES. We also have a report from the Department of Agriculture, and without objection this report will be made a part of the record at this point.

(The report dated May 15, 1968, from the Department of Agriculture follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 15, 1968.

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

DEAR MR. CHAIRMAN: As you asked, here is our report on H.R. 16065, "To direct the Secretary of Agriculture to release on behalf of the United States conditions in deeds conveying certain lands to the State of Iowa, and for other purposes."

We recommend enactment of H.R. 16065.

H.R. 16065 would authorize and direct the Secretary of Agriculture to release on behalf of the United States certain conditions contained in two 1955 deeds conveying certain described lands to the State of Iowa for the use and benefit of the Agriculture Experiment Station of the Iowa State College of Agriculture and Mechanic Arts, now the Iowa State University. The conditions required that the lands conveyed to the State be used for public purposes and provide for a reversion to the United States if the lands cease to be so used.

This bill provides that the Secretary shall release the conditions only with respect to lands covered by an agreement between the Secretary and the University which would set forth certain conditions.

H.R. 16065 would also authorize the Secretary of the Interior, under certain conditions, to convey to the State of Iowa for the use and benefit of Iowa State University or successors in title all the undivided mineral interests which were reserved to the United States in lands conveyed to the State.

The lands involved in H.R. 16065 were originally acquired by the United States under the provisions of Title III of the Bankhead-Jones Farm Tenant Act (50 Stat. 525). This Title authorizes the Secretary of Agriculture to conduct a program for the rehabilitation of submarginal lands. Title III also authorizes the Secretary to dispose of lands to public authorities and agencies under terms and conditions he deems will best accomplish Title III purposes, but only on condition that the property conveyed is used for public purposes.

The 955.81 acres of land in question were conveyed to the State of Iowa on July 29, 1955, subject to the condition that they be used for public purposes. If not so used, ownership would revert to the United States.

We understand that the State of Iowa is seeking a release of the "public use" condition so that it may sell one or both of the two tracts conveyed to it. These two tracts, consisting of 410 and 545.81 acres respectively, have been used for beef cattle research and other experimental purposes. Due to changes in direction and emphasis in the work on these areas and size of farms and related facilities, the individual areas are no longer adequate to meet the University's needs. Therefore, the University wishes to sell or exchange one or both of the tracts and use the proceeds to establish a single larger, more efficient unit to meet the University's needs. The use of the proceeds to acquire lands to be held permanently for University purposes would not be inconsistent with the basic purposes of the public use requirement in the original conveyance to the University.

H.R. 16065 is similar to H.R. 11527 recently enacted by the Congress and to P.L. 84-237 involving lands conveyed to the University of Maine and to Clemson Agricultural College, now Clemson University, of South Carolina.

Some 836,000 acres of such lands have been conveyed by the United States to various States and State agencies and organizations in a number of separate transactions. All of these conveyances are subject to the same reversionary

clause if the lands are not used for public purposes. The conveyances also included the same mineral rights reservations.

During the intervening years, changes in land use patterns and resource management programs, administrative requirements, and other factors have resulted in the need for others of the respective owning public authorities or agencies to sell, exchange, or otherwise dispose of a part of the Title III lands conveyed to them so as to further the purposes and activities of those public bodies. Two other such cases are before us now. Others may come up in the future.

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

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

Mr. JONES. Unless there are other questions or unless there are other witnesses who would like to testify, we will close the hearings.

Mr. Murray, are there any questions that you want to ask or any information that you feel should be put into the record at this point?

Mr. MURRAY. No, sir; I have no questions.

Mr. JONES. Thank you.

The subcommittee will go into executive session.

(Whereupon, at 11 a.m., the subcommittee retired into executive session.)

ERADICATION OF FOOT-AND-MOUTH DISEASE IN CENTRAL AMERICA

TUESDAY, MAY 21, 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, Abbitt, Jones of Missouri, Purcell, O'Neal, de la Garza, Teague of California, Goodling, Burke, Mayne, Zwach, Kleppe, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are met this morning to consider H.R. 16451, a bill suggested by the Department of Agriculture to authorize the Secretary of Agriculture to cooperate with the governments of Central America in the prevention, control, and eradication of foot-and-mouth disease or rinderpest.

I believe that Dr. Anderson will speak for the Department this morning and present the problem. In the meantime, we have a wire from B. Kleberg Johnson, and a statement by Dr. M. R. Clarkson, executive secretary of the American Veterinary Medical Association, which will be made a part of the record at this point.

We also have a statement from Mr. C. W. McMillan—rather, a letter of the American National Cattlemen's Association. Do you desire to have that inserted into the record?

Mr. McMILLAN. I would appreciate that being done.

The CHAIRMAN. This letter, together with the others already mentioned, will be made a part of the record following Dr. Anderson's statement.

(H.R. 16451, together with a letter dated March 28, 1968, from the Secretary of Agriculture, follow:)

[H.R. 16451, 90th Cong., second sess.]

A BILL To authorize the Secretary of Agriculture to cooperate with the several governments of Central America in the prevention, control, and eradication of foot-and-mouth disease or rinderpest

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture is authorized to cooperate with the several governments of Central America in carrying out operations or measures to prevent or retard, suppress, or control, or to eradicate foot-and-mouth disease or rinderpest in Central America where he deems such action necessary to protect the livestock and related industries of the

United States. In performing the operations or measures herein authorized, the several governments of Central America shall be responsible for the authority necessary to carry out such operations or measures on all lands and properties in each nation and for such other facilities and means as in the discretion of the Secretary of Agriculture are necessary. The measure and character of cooperation carried out under this Act on the part of the United States and on the part of the several governments of Central America, including the expenditure or use of funds appropriated pursuant to this Act, shall be such as may be prescribed by the Secretary of Agriculture. Arrangements for the cooperation authorized by this Act shall be made through and in consultation with the Secretary of State. The authority contained in this Act is in addition to and not in substitution for the authority of existing law.

SEC. 2. For purposes of this Act, funds appropriated pursuant thereto may also be used for the purchase or hire of passenger motor vehicles and aircraft, for printing and binding without regard to section 87 of the Act of January 12, 1895, or section 11 of the Act of March 1, 1919 (44 U.S.C. 111), and for the employment of civilian nationals of the several nations of Central America.

SEC. 3. The governments of Central America, for the purposes of this Act, mean the governments for those countries located between the Republic of Columbia and the Republic of Mexico.

SEC. 4. In carrying out this Act the Secretary of Agriculture is further authorized to cooperate with other public and private organizations and individuals.

SEC. 5. There are authorized to be appropriated such sums as may be necessary to carry out this Act.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., March 28, 1968.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: There is transmitted herewith for the consideration of the Congress, a draft bill entitled "To authorize the Secretary of Agriculture to cooperate with the several Governments of Central America in the prevention, control and eradication of foot-and-mouth disease or rinderpest."

The bill would provide the authority for this Department to cooperate with the Governments of the Central American nations in the conduct of operations or measures necessary to prevent or retard, suppress or control, or to eradicate foot-and-mouth disease or rinderpest. These measures are necessary to prevent the spread of foot-and-mouth disease and rinderpest into Central and North America from South America.

Although Central America is presently free of foot-and-mouth disease, the Government of Colombia on April 21, 1966, nullified a covenant under which strict preventive and quarantine measures were carried out in the Choco Region in Colombia between the Atrato River and Panama. The quarantine measures were conducted cooperatively among Colombia, Panama, and the International Regional Organization for Crops and Animal Sanitation (OIRSA), an organization representing Central American countries. The recent spread of foot-and-mouth disease to the border regions of Colombia presents an immediate danger of spreading the disease to countries to the north, including the United States. Experience with this disease clearly demonstrates that only prompt, efficient, and effective operations can prevent the rapid spread among livestock. Once spread occurs, it becomes a tremendous technical and economic effort to eradicate the disease.

Under the proposal, a Commission for the Prevention of Foot-and-Mouth disease would be established similar to that which exists with Mexico. This would permit experienced personnel of the Department to provide technical and field assistance in the recognition of foot-and-mouth disease and other vesicular diseases. Rapid detection and prompt corrective action are fundamental to a program for prevention of foot-and-mouth disease. Any outbreak and spread of the disease in Central America presents a highly dangerous threat of spread into Mexico and beyond into the United States where substantial sums have been spent to eradicate foot-and-mouth disease.

The Central American countries are doing everything possible to prevent the introduction of foot-and-mouth disease. Each nation has contributed financial support to expand activities including military patrols and animal inspectors along the Colombian-Panamanian border. Strict prohibitions are enforced against the importation of animals and animal by-products from foot-and-mouth disease

affected countries. Violators are punished severely. Nevertheless, the Ministers of Agriculture for Central American countries recognize that a regional program specifically directed against foot-and-mouth is needed. These nations have requested this Department to join in a cooperative prevention effort by providing trained and experienced personnel operating under an organization similar to that presently existing with the Republic of Mexico. The Central American countries have pledged the contribution of manpower, equipment, facilities, supplies, etc., toward the support of such an organization. Based on meetings with representatives of the Central American countries, this Department is convinced of the dedicated efforts of these countries to every possible measure to prevent the introduction of foot-and-mouth disease.

It is contemplated that the following minimum activities would be involved:

- (a) Conduct continuing field surveys for vesicular diseases (diseases similar to Foot-and-Mouth).
- (b) Investigate reports of vesicular diseases.
- (c) Collect diagnostic materials for laboratory tests, when needed.
- (d) Organize livestock owners to report all symptoms suspicious of a vesicular disease.
- (e) Develop a practical plan for the immediate eradication of foot-and-mouth disease if it ever occurs and train official veterinarians in the use of this plan.
- (f) Develop informational materials to inform the livestock owners of the dangers of foot-and-mouth disease and other exotic diseases of economic importance.

There is currently a scarcity of animal products in the human diet in Central America and Panama. We are even more concerned about the future need for animal protein. The human population is increasing at a greater rate than the ability to produce animal protein. The proposed Foot-and-Mouth Disease Prevention Program is designed to protect the livestock industry in Central America and Panama from the devastation of foot-and-mouth disease, and thereby protect the social and economic benefits the area is obtaining from livestock improvement programs financed for the most part from international sources.

Enactment of the proposed legislation would necessitate additional appropriations of approximately \$135,000 annually.

A similar letter is being sent to the President of the Senate.

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

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

The CHAIRMAN. We will now hear from Dr. Anderson.

STATEMENT OF DR. R. J. ANDERSON, ASSOCIATE ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Dr. ANDERSON. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before your committee to present the views of the Department of Agriculture on H.R. 16451. The bill would provide the authority for the Department to join in a cooperative program with the Central American nations in the conduct of operations and measures necessary to prevent or retard, suppress or control, or to eradicate foot-and-mouth disease or rinderpest.

Mr. Chairman, we have a common goal with the Central American countries, which is to remain free of foot-and-mouth disease in order to protect our livestock industry against the severe economic losses the disease would cause in this country. If foot-and-mouth disease should become established in Central America, the danger of the disease gaining entry into the United States would be greatly increased.

Under H.R. 16451, a cooperative foot-and-mouth prevention program would be initiated to keep the countries of Central America free of the disease and thereby further protect the livestock industry of the United States.

We have only to look to the recent foot-and-mouth disease epidemic in England and Wales to appreciate the enormous efforts required to combat this dread animal plague. By April 15, 1968, more than 200,000 cattle, 100,000 sheep and 110,000 pigs had to be slaughtered, bringing severe economic hardship to livestock owners.

Although Central America is presently free of foot-and-mouth disease, the Government of Colombia on April 21, 1966 nullified a covenant under which strict preventive and quarantine measures were carried out in the Choco Region in Colombia between the Atrato River and Panama. The quarantine measures were conducted cooperatively among Colombia, Panama, and the International Regional Organization for Crops and Animal Sanitation, otherwise referred to as Orsa, an organization representing Central American countries established in 1955.

The recent spread of foot-and-mouth disease to the border regions of Colombia presents an immediate danger of spreading the disease to Central American countries. This would greatly increase the threat of ultimate spread into Mexico and beyond into the United States where substantial sums have been spent to eradicate foot-and-mouth disease.

Experience with this disease clearly demonstrates that only prompt, efficient, and effective operations can prevent the rapid spread among livestock. Once spread occurs, it becomes a tremendous technical and economic effort to eradicate the disease.

The Central American countries are doing everything possible within their capabilities to prevent the introduction of foot-and-mouth disease. Each nation has contributed financial support to expand activities including military patrols and animal inspectors along the Colombian-Panamanian border.

Strict prohibitions are enforced against the importation of animals and animal byproducts from foot-and-mouth disease affected countries. Violators are punished severely. Recognizing technical limitations, the Central American countries have requested the United States to provide assistance.

The Department would join the several Central American nations in a cooperative prevention effort under an organization similar to that presently existing with the Republic of Mexico. We would provide experienced personnel for technical and field assistance for the recognition of foot-and-mouth and other vesicular diseases.

Rapid detection and immediate corrective measures are fundamental to a program for the prevention of foot-and-mouth disease. The Central American countries have pledged the contribution of manpower, equipment facilities, supplies, et cetera, toward the support of such a program.

It is contemplated that the following minimum activities would be involved:

- (a) Conduct continuing field surveys for vesicular diseases—diseases similar to foot-and-mouth.
- (b) Investigate reports of vesicular diseases.

(c) Collect diagnostic materials for laboratory tests, when needed.
 (d) Organize livestock owners to recognize and report all symptoms suspicious of a vesicular disease.

(e) Develop a practical plan for the immediate eradication of foot-and-mouth disease if it ever occurs and train official veterinarians in the use of this plan.

(f) Develop informational materials to inform to livestock owners of the dangers of foot-and-mouth disease and other exotic diseases of economic importance.

The Department's share of the estimated annual costs for these activities would be approximately \$135,000.

Mr. Chairman, I will be happy to respond to any questions you or members of the committee may have.

The CHAIRMAN. I note that it will cost exactly 1 percent of what we spent in the eradication of the foot-and-mouth disease in Mexico.

Dr. ANDERSON. Yes, sir.

The CHAIRMAN. And if we spend 1 percent a year to operate this program, it seems to me that it would be a real good investment. Of course, nobody can guarantee that it will prevent all future outbreaks, but this is probably the best way of preventing a repetition of the Mexican situation.

Dr. ANDERSON. Yes, sir. We are sure that success in dealing with foot-and-mouth disease depends upon the ability for early detection and a system that will make it possible to deal with it immediately before it spreads to other areas of the county.

The CHAIRMAN. Are there any other questions?

Mr. Teague.

Mr. TEAGUE of California. Is there anyone that you know of that thinks that this is not a desirable proposition? I do not know of anyone who is opposing this, do you?

The CHAIRMAN. I do not know of anyone. Do you folks in the Department know of anyone in opposition to it?

Dr. ANDERSON. No sir. We have not received any word from any source of anyone who would be opposed to this proposed legislation.

Mr. TEAGUE of California. How long has it been since there has been a serious epidemic like they had in Mexico?

Dr. ANDERSON. Mexico had a serious outbreak in 1947 which was eradicated by 1952. The disease appeared a second time in May of 1953 and this was successfully eradicated in 1954. There has not been an outbreak since then.

The second outbreak involved the slaughter of approximately 23,000 animals. Because we had an organized program of surveillance, we had the ability to deal with the outbreak immediately and prevent spread. There were about 1 million animals that had to be destroyed in the 1947-1952 eradication program. The disease at that time had invaded about 17 Mexican States before we were able to get the program underway.

So this gives you some comparison of what to expect if you are prepared to deal with the disease.

Mr. TEAGUE of California. That speaks very well for the effectiveness of the program. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Mayne.

MR. MAYNE. Has the epidemic in the United Kingdom been brought under control?

Dr. ANDERSON. Yes, it is under control now. The last report I had is that they were having a few outbreaks. But, they were confident that they did have it under control. They were able to bring it under control only after it was necessary to destroy more than 400,000 head of animals at a tremendous cost to their economy, besides the many inconveniences and the burden on their commerce and everything else.

MR. MAYNE. Has our Department of Agriculture obtained any significant new information about this problem from the United Kingdom as a result of their recent experience; and, if so, what is it?

Dr. ANDERSON. Yes, sir. We have learned from this outbreak. The United Kingdom follows the same basic principles and techniques in dealing with the disease that we have in this country. The principal difference is that the United Kingdom imports fresh meat from countries where the disease exists, and we do not.

We have a statutory prohibition against such importations. It is known that the meat from animals in the incubative stage or the recovery stage of the disease harbor the virus. The thing that the British were confronted with on this operation is that the means that had been successfully applied in the past to prevent spread were not adequate in this outbreak.

As a matter of assistance, we did send over 12 veterinarians to work with the British in the outbreak. They brought back considerable information which is causing us to take a hard look at our preparedness to deal with the disease, if it occurs. For example, we have learned that the present methods for the collection of milk by bulk tanks, trucks presents a hazard that was unknown.

The bulk tanks operate on a vacuum pump. They would go into a farm and collect milk, from the dairy tank, some of which was from animals that were infected so that the milk contained the virus. Then, the milk trucks go to the next farm to take on milk. The draw from the vacuum pump would spread an aerosol-like spray of milk on the premises around the milk barn and up and down the lanes, from the dairy house to the road.

This was a means that the British thought contributed to spread of the disease. We learned quite a bit from working with them on this outbreak.

MR. MAYNE. You say, there were 12 veterinarians sent from here to the United Kingdom?

Dr. ANDERSON. Yes, sir—12 of our veterinarians went over to work with them.

MR. MAYNE. From the Department of Agriculture?

Dr. ANDERSON. Yes, sir. We have still quite a number of people who had experience from the Mexican eradication program but, like myself, they are a little older now and not quite so available. These were young people—young veterinarians who served a very important need in the United Kingdom. Our preparedness has been helped from the experience they gained during this epidemic.

MR. MAYNE. Is there any feeling by the Department after getting the benefit of this experience, that additional legislation will be required to prevent this disease being transmitted from countries other than the Central American countries? This bill applies only to Cen-

tral America. Is there anything more that may be needed with regard to other countries?

Dr. ANDERSON. No, sir. We believe we have adequate statutory authority to carry out the program measures designed to protect against the entry of the disease. As I mentioned, one of the main safeguards is a statutory prohibition against the importation of ruminants and swine, and fresh, chilled or frozen meat from countries that are declared to be infected with foot-and-mouth disease. This consists of almost every country in the world, aside from the United States, except such countries as New Zealand, Australia, the Central American countries, Mexico, Canada, Greenland, North Ireland, Ireland, the channel islands, Japan and Norway. All other countries are on our declared list as having foot-and-mouth disease.

Mr. MAYNE. Do you have authority under the present statutes to require people coming in from an infected country to have their footwear processed in some way to prevent the transmission of the disease over here, or is that just on a voluntary basis?

Dr. ANDERSON. We conduct inspections at ports-of-entry. The travelers' baggage is required to be inspected for any evidence of prohibited or restricted agricultural products which not only applies to meats and animal products, but also to crops and plants.

As a part of the inspection procedure, the travelers are questioned as to their points of origin. If they have been around livestock recently or show any evidence of having been on farms, we ask that they present their footwear to be cleaned and disinfected by our quarantine inspectors.

Mr. MAYNE. What if they refuse to cooperate?

Dr. ANDERSON. Under our quarantine regulations, we have authority to require it. We have had no problem to date. All travelers have been quite cooperative. We paid particular attention to those travelers from England during the last outbreak. The same applies to travelers from South American and other countries.

Mr. MAYNE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. O'Neal.

Mr. O'NEAL. I am curious to know why the Government of Colombia would nullify this covenant. Do you have anything that would shed any light on this?

Dr. ANDERSON. Colombia would have nothing to gain from continuing to apply restrictions on the livestock movements in the Choco region adjacent to Panama. For a long time, the disease was not known to exist north of the Atrato River in Colombia which runs near the Panamanian border. Then, it was to their interest to prohibit the movement of animals from the southern region of Colombia into the Choco region. And, also, they prevented vaccination of animals in that region.

With the occurrence of the disease within the Choco area, they have resorted to vaccination and permit movements into the region from areas of the country infected with the disease. They thought it was to their interest to nullify the covenant.

However, they did indicate that they would be agreeable to an eradication program in that area, provided the United States, or the Cen-

tral American countries, would pay the indemnity for the animals destroyed.

We do not think it would be in the interests of this country to participate in such a program in a country where the disease is so widespread.

Mr. O'NEAL. I noticed that the covenant was nullified over 2 years ago, or about that time.

Dr. ANDERSON. Yes, it has been about that length of time.

Mr. O'NEAL. Has there been any indication of the foot-and-mouth disease spreading into Panama as a result of the nullification?

Dr. ANDERSON. There has been no evidence of the disease in Panama. We think that with the measures being applied it should be prevented, but there is a lot of traffic from that region, including small boat traffic across the mouth of the Atrato River from Colombia over into Panama. There is opportunity for smuggling of fresh meats and animals. It will take a real effort on the part of the Panamanians to prevent the entry of the disease.

Mr. O'NEAL. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Zwach.

Mr. ZWACH. Dr. Anderson, is this legislation at the request of the Central American countries?

Dr. ANDERSON. Over a year ago, the Ministers of Agriculture appealed directly to Secretary Freeman and also through their organization, known as OIR & A, that I mentioned before, requesting that we join them in a commission-sort of organization as we have with Mexico. They requested assistance.

We informed them that we did not have the authority, but we thought that the idea was excellent.

Mr. ZWACH. It was really your feeling that perhaps it is not quite adequately handled at the present time by our neighbors to the south?

Dr. ANDERSON. That is right, with the single exception of the Republic of Mexico.

Mr. ZWACH. This is sort of self-defense on our part?

Dr. ANDERSON. Yes. The Central American countries recognize their technical limitations as confronted with the increased danger of spread from South America. They have not been able to develop more adequate protection against possible introduction, to develop the capability for early detection and early diagnosis, and know-how to deal with the disease should it occur.

It is for that reason they are asking for assistance. It will not be in lieu of what is already being done. It is a supplement.

Mr. ZWACH. A supplement?

Dr. ANDERSON. Yes. If we continue at this proposed level for a few years, it is very likely that they can develop capabilities whereby we can reduce our effort to one of just general technical assistance.

Mr. ZWACH. Are we going to shoulder all of the cost of our people there?

Dr. ANDERSON. No, sir.

Mr. ZWACH. What will it be?

Dr. ANDERSON. They will continue with their present effort. The prevention program would be imposed on top of what is now being

done. It calls for three U.S. veterinarians and one administrative officer, with their vehicles, and small sum for communication purposes.

The member countries will provide six veterinarians, one from each country. Then one to head up their operation as a counterpart of the United States. So they would be putting up more than twice as many professional people. They will provide whatever office space or housing facilities, and other support measures that will be necessary. But they can do this at a much cheaper rate than what it will cost to maintain our people down there. So they will more than match our effort.

Mr. ZWACH. To protect our own interests, your feeling is that this ought to be done?

Dr. ANDERSON. Yes, sir; very much so—very much so.

Mr. ZWACH. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

If not, we are very much obliged to you, Dr. Anderson.

Is there anyone else who wants to be heard?

(No response.)

(A telegram dated May 16, a statement dated May 21, and a letter dated May 17, 1968, all referred to above, follow:)

[Telegram]

UVALDE, TEX., May 16, 1968.

W. R. POAGE,

*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.:*

Received your letter with reference to H.R. 16451. Have contacted C. W. McMillan, ANCA, and fully support their position on legislation. Will not send separate testimony. Most valuable as shield against entrance of hoof and mouth to Central American countries, Mexico, and United States.

Best regards,

B. KLEBERG JOHNSON.

STATEMENT OF M. R. CLARKSON, EXECUTIVE SECRETARY, AMERICAN VETERINARY MEDICAL ASSOCIATION

Mr. Chairman and members of the committee, thank you for the opportunity to present the views of the American Veterinary Medical Association on this important piece of legislation. We congratulate you, Mr. Chairman, on your foresight in presenting legislation which, if passed, will go far to strengthen the protection of the herds and flocks of the United States from these most dangerous animal diseases.

North America is by far the largest and most important livestock-producing area that remains free of foot-and-mouth disease and rinderpest. Partly, this has been due to the fortunate position of isolation from the other continents where one or both of these diseases are endemic. In recent years, however, with the rapidity of travel and the increase in trade and transport between North America and the rest of the world, the continued freedom from these diseases has been increasingly dependent upon the vigilance of the countries of North America to prevent the introduction of these diseases from abroad.

Stringent quarantine measures have been maintained to prevent introduction of these diseases, and heroic programs of eradication have been waged to stamp out outbreaks of foot-and-mouth disease on the occasions when this disease has broken through the quarantine barriers. We know the committee is familiar with these events and the representatives of the Department will have further details available.

Although the United States suffered six outbreaks of foot-and-mouth disease during the period 1900-1930, the imposition of more stringent quarantine meas-

ures at that time and the efforts of Mexico and Canada to eradicate outbreaks in their countries have kept this country free of such outbreaks for the past 38 years. This would not have been possible if our neighbors to the south and the north had allowed the disease to gain permanent footholds in their countries.

In spite of the modern miracle of air travel, a sea barrier is still an all-important basis for quarantine measures against the more contagious animal diseases. It would be all but impossible to stop the spread of foot-and-mouth disease across our land borders if the disease should become endemic in neighboring countries.

Until recently, we have had protection along the very narrow land connection between North America and South America because of (1) the practical difficulties of trade and travel through the region, and (2) the diligence of the governments of Colombia and Panama, with the cooperation of the International Regional Organization for Crops and Animal Sanitation (OIRSA) in carrying out quarantine measures in the Choco region in Columbia between the Atrato River and Panama. Now, however, roads are being improved to increase trade and travel, and the government of Colombia has ceased its participation in the cooperative quarantine measures.

Foot-and-mouth disease exists in Colombia. If, by diminishment of the protective measures, the disease should spread into the livestock-raising areas of Panama, there is no reason to suppose that this highly contagious disease would not continue its northward spread—perhaps slowly, but surely—through Central America to Mexico and the United States. With each movement northward, the infected area would become larger and the problem of stamping out the disease would become infinitely more difficult.

We may be assured that each of the countries along the way would take such measures as they could to prevent the spread of the disease, but it does not appear possible that such measures would be successful considering the resources available to them and the large areas of very difficult country within which the work would have to be done. If the disease is not stopped along the way, the great herds and flocks of the United States stand completely vulnerable at the end of the line to absorb the full shock of the losses which continued exposure to foot-and-mouth disease carries with it. We can contemplate eradication programs as in the past, but with the disease ever present just across a land boundary, such efforts would be largely nullified.

The forward-looking proposals contained in H.R. 16451, Mr. Chairman, would permit the Secretary of Agriculture to take timely action now in concert with the governments of Central America to pool resources against the common danger. With similar arrangements already in effect with the government of Mexico, and the continuing informal arrangements of similar import with Canada, the governments of North America would be in a position to act together to take strong preventive action where it is most needed—at the gateway between Columbia and Panama.

In addition, the authorities contained in the bill would permit the Department to work in similar manner with the other governments to stamp out outbreaks of foot-and-mouth disease or rinderpest without delay wherever they occur. The costs of such cooperative efforts would be far less than the costs of attempting the eradication of later outbreaks, and the chances of success would be infinitely greater.

Mr. Chairman, those who have dealt with foot-and-mouth disease know what a treacherous foe it is when it gains entrance into a new area. The past outbreaks in this country and those in Mexico and Canada illustrated the enormous difficulty and cost of eradication programs. The recent experience of the British in stamping out a series of outbreaks this past winter showed once again the magnitude of the problems involved in such undertakings.

Nevertheless, the debilitating losses caused by foot-and-mouth disease in cattle, sheep, swine, and goats make it clear that we dare not attempt to live with it. The experiences of other countries in attempting to control the disease with massive programs of vaccination illustrate the high cost of such measures and the inability to give full protection against the disease. The cost of the eradication program in Great Britain was only a fraction of the costs and losses that would have occurred if the disease had not been eradicated. A comparison of the numbers and values of livestock in Great Britain with those in North America further indicates the values to be protected on this continent.

Mr. Chairman, the American Veterinary Medical Association strongly supports H.R. 16451 and urges its speedy passage.

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., May 17, 1968.

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

DEAR BOB: The American National Cattlemen's Association endorses H.R. 16451.

This legislation, we feel, is vital to the prevention of foot and mouth disease gaining entry into the United States. For many years, there has been an agreement with Mexico and the United States to maintain a surveillance system. A veterinary staff from the Agriculture Research Service of the U.S. Department of Agriculture is stationed in Mexico City to be liaison with the Mexican government. We feel this, in large measure, has been a reason why foot and mouth disease again has not gained a foothold in Mexico.

With the enactment of H.R. 16451, further assurances would be provided to keep the disease out of Mexico and thus out of the United States. As you and members of the House Committee on Agriculture undoubtedly are aware, the entire continent of South America is endemic with foot and mouth disease. We feel that it is quite fortunate that it has not crossed the Panama Canal and spread into the North American continent in many years. Additional safe-guards would be provided if H.R. 16451 were to become law and a similar working relationship developed between the Central American countries and the United States as that which exists today with Mexico and the U.S.

It would be a tragedy if the disease would gain entry into any North American nation, but particularly the United States, where we have such rapid intermingling of livestock with the sophisticated manner in which we move livestock over high speed highways and rails. The cost of the disease would be astronomical were it to gain entry into the United States. One only need look at the cost of eradicating the disease in England during their most recent outbreak to get an idea of the cost.

For these reasons, we hope that early and favorable action will be given to H.R. 16451 by the House Committee on Agriculture and later the House of Representatives.

We respectfully request that this letter be made a part of the hearing record. Thank you.

Cordially,

C. W. McMILLAN.

The CHAIRMAN. If there is nothing further, the committee will go into executive session in a moment.

I want to ask Dr. Anderson some questions off the record.

(Whereupon, there was a short discussion off the record.)

The CHAIRMAN. I will ask Mr. Abbitt to take charge. He has a bill to present to the committee in executive session, together with another bill. I have to go to the Rules Committee right now.

We will now go into executive session.

(Whereupon, at 10:30 a.m., the committee proceeded into executive session.)

American X-ray Manufacturers Association
Denver, Colorado, 1938

Hon. W. R. Egan

Warren Home Committee on Un-American
Activities, Washington, D.C.

Dear Sir: The American X-ray Manufacturers Association, 1701

19th St., Denver, Colorado, 1938.

This legislation, we feel, is vital to the preservation of good and sound business administration in the United States. For many years there has been an increasing tendency to allow the United States to be run in a manner which is not in the best interests of the American people. The American X-ray Manufacturers Association, through its efforts, has been able to bring to your attention the fact that the American X-ray Manufacturers Association is not only a leading manufacturer of X-ray equipment in the United States, but also a leading manufacturer of X-ray equipment in the world.

The American X-ray Manufacturers Association is not only a leading manufacturer of X-ray equipment in the United States, but also a leading manufacturer of X-ray equipment in the world. The American X-ray Manufacturers Association is not only a leading manufacturer of X-ray equipment in the United States, but also a leading manufacturer of X-ray equipment in the world. The American X-ray Manufacturers Association is not only a leading manufacturer of X-ray equipment in the United States, but also a leading manufacturer of X-ray equipment in the world.

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LOANS ON LEASEHOLD INTERESTS IN HAWAII

MONDAY, MAY 27, 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. E. C. Gathings presiding.

Present: Representatives Gathings, Poage (chairman), Montgomery, Teague of California, Hansen, Goodling, Zwach, and Myers.

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

Mr. GATHINGS (presiding). The committee will come to order. The chairman will be here most any time, but he asked me to sit in until he arrives.

We are delighted to have with us today a former member, Congressman Spark Matsunaga from the State of Hawaii, who will testify in the interest of his bill, H.R. 15562.

(H.R. 15562 and the Department report follow :)

[H.R. 15562, 90th Cong., second sess.]

A BILL To extend the expiration date of the Act of September 19, 1966

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to amend the Consolidated Farmers Home Administration Act of 1961 to authorize loans by the Secretary of Agriculture on leasehold interests in Hawaii, and for other purposes", approved September 19, 1966 (80 Stat. 809), is amended by striking out "June 30, 1968" and inserting in lieu thereof "June 30, 1970".

DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 27, 1968.

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

DEAR MR. CHAIRMAN: This will reply to your request of March 11, 1968, for a report on H.R. 15562, a bill "To extend the expiration date of the Act of September 19, 1966," (P.L. 89-586), which amends the Consolidated Farmers Home Administration Act of 1961, to authorize loans by the Secretary of Agriculture on leasehold interests in Hawaii.

Public Law 89-586 amends section 343 of the Consolidated Farmers Home Administration Act of 1961, as amended, to authorize the Secretary of Agriculture to make loans under that Act to lessee-operators of real property in any case in which he determines that the land cannot be acquired in fee simple by the applicant, adequate security is provided for the loan, and there is a reasonable probability of accomplishing the objectives and repayment of the loan.

The authority contained in Public Law 89-586 will expire on June 30, 1968. The purpose of H.R. 15562 is to extend the expiration date to June 30, 1970.

The Department of Agriculture does not recommend the extension of Public Law 89-586 because the authority contained therein is limited to the State of Hawaii. The Department of Agriculture believes that if this authority is provided for the State of Hawaii, it should be made equally available in all other states, as well as in Puerto Rico and the Virgin Islands.

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

Sincerely yours,

ORVILLE L. FREEMAN.

Mr. GATHINGS. You may proceed in your own way, Mr. Matsunaga.

STATEMENT OF HON. SPARK M. MATSUNAGA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. MATSUNAGA. Thank you, Mr. Gathings, and members of the committee.

As a former member of this committee, I consider my appearance today as a witness a delightful homecoming on my part. Because of the urgency involved, I am particularly grateful for this opportunity to present my views with respect to H.R. 15562, which would extend for a period of 2 years the expiration date of Public Law 89-586, the authority for Farmers Home Administration loans on farm leasehold interests in Hawaii. By its terms, that statutory authority was restricted to Hawaii and limited in its application to the period between enactment, which was September 19, 1966, and June 30, 1968.

The need for the legislation was stated in the committee report which accompanied the reported bill, H.R. 15951, that I had introduced in the 89th Congress. I quote from the committee report:

Because of a land-tenure system peculiar to Hawaii, there is virtually no farmland in the State available for purchase in fee simple. For generations, most of the farmland in Hawaii has been held under an entailed status which permits its transfer only on a lease basis. Many of these leases run for 99 or 55 years. The Consolidated Farmers Home Administration Act of 1961 authorizes real estate loans only to owners or prospective owners of farmlands in fee. Therefore, for all practical purposes, Hawaii is barred from participation in the real estate loan provision of this law.

The success of the farm loan program under Public Law 89-586 is evidenced by figures which were furnished my office as late as Thursday of last week by the Farmers Home Administration. In fiscal year 1967, actually over a period of a little more than 9 months, five loans were approved and a total amount of \$125,000 was disbursed under this statutory authority. In fiscal year 1968, 10 loans totaling \$294,790 have already been approved and disbursed. However, seven other loan applications have been received by the Farmers Home Administration and are still in process. These seven applications, involving the sum of \$232,380, are from farmers who were displaced in recent years by the rapid urbanization of the area which once constituted the easterly fringe of the city of Honolulu. Their loan applications have been completely developed and reviewed by the Farmers Home Administration, but because the farmer applicants do not yet hold the requisite leases in a new agricultural tract the loans cannot be consummated.

The delay in the issuance of individual leases to these farmers, who belong to an association called Kamilonui Farmers Cooperative, named after Kamilonui Valley where the new agricultural tract is located, has been the result of prolonged negotiations involving at

least four different parties. The farmland is held in fee by the Bernice P. Bishop Estate. The trustees of the Bishop Estate have been negotiating with the developer, the Kaiser Hawaii-Kai Development Co., which in turn has been negotiating with the farmers cooperative. Some 80 acres have been set aside for this agricultural tract and it is planned to create approximately 27 2½-acre minimum farm lots. City and county regulations require that the agricultural tract must receive the approval of the city and county planning department, and either tract improvements completed or bonds posted guaranteeing such completion before leases can be issued by the Bishop Estate to the individual farmers.

On February 20, 1968, I wrote to the trustee of the Bishop Estate and to the development company requesting their cooperation in expediting the negotiations in order that individual leases could be issued to the farmers before the June 30, 1968, deadline. With the permission of this committee, I would like to incorporate into my testimony and make a part thereof a reply dated March 4, 1968, from Frank E. Midkiff, president, board of trustees, Bernice P. Bishop Estate, and another reply dated February 29, 1968, from K. Tim Yee, vice president and general manager, Kaiser Hawaii-Kai Development Co. Both replies reflect an appreciation of the exigencies of the situation and a willingness to cooperate to effect the issuance of the leases as soon as possible. However, more recent information from the Kamilonui Farmers Cooperative indicates that it is not likely that the farmers will have their individual leases before June 30, 1968.

The displaced farmers who are now members of the Kamilonui Farmers Cooperative formerly supplied much of the fresh vegetable requirements of the military as well as the civilian population on the island of Oahu, which is the principal island on which Honolulu is located. Because of Hawaii's insularity, the production of vegetables at former levels is necessary to avoid the disastrous consequences which could flow during an emergency as the result of total reliance on west coast sources of supply.

Mr. Chairman and members of the committee, for the reasons I have stated, I strongly urge that H.R. 15562, which would extend existing law to June 30, 1970, be given your early favorable consideration.

Thank you.

Mr. GATHINGS. Thank you so much, Mr. Matsunaga, your attachments will be made a part of the record at this point.

(The letters dated March 4, 1968, and February 29, 1968, follow:)

OFFICE OF THE TRUSTEES OF THE
BERNICE P. BISHOP ESTATE,
Honolulu, Hawaii, March 4, 1968.

HON. SPARK M. MATSUNAGA,
House of Representatives,
Washington, D.C.

SIR: Receipt is acknowledged of your letter of February 20, 1968 addressed to Mr. Frank E. Midkiff, Chairman, Board of Trustees, Bernice P. Bishop Estate, expressing your concern on the delay in utilizing funds made available, under Public Law 89-586, for loans through the Farmers Home Administration to farmers on leasehold property in Hawaii, particularly with respect to the Kamilonui Agricultural Tract in Hawaii, Kai.

Under its development contract with Kaiser Hawaii-Kai Development Co., the Trustees of the Bishop Estate have approved an agricultural subdivision in

Kamilonui Valley at Maunaloa. This project has been under negotiation for nearly two years. Hawaii-Kai, as the Trustees' developer, is promoting the project and has been negotiating with an association known as the Kamilonui Farmers Cooperative. Some 80 acres have been set aside for this agricultural tract and it is planned to create approximately 27 2½ acre minimum farm lots. City and County regulations require that the agricultural tract must receive the approval of the City and County Planning Department, and either tract improvements completed or bonds posted guaranteeing such completion before leases can be issued by the Bishop Estate to the individual farmers.

The farmers association have undertaken the obligation of preparing subdivision plans and construction plans for this tract. The preliminary subdivision plan has been approved by the Trustees. No construction plans or final subdivision plans have yet been submitted. The Trustees have, at Hawaii-Kai's request, approved a rental schedule on an acreage basis for lots in the proposed tract. The Trustees have also prepared and submitted to Hawaii-Kai proposed lease forms for individual farm leases and a proposed lease to the association for the tract utilities. The Trustees have also issued letters of intent to Hawaii-Kai advising them that the Trustees are prepared to issue individual farm leases in accordance with approved rent schedules and lease covenants when permitted to do so under existing subdivision regulations.

Please be assured that the Trustees will expedite the issuing of leases on these farm lots immediately upon receipt of the necessary tract approvals from the City and County. Hawaii-Kai in turn has relied upon the farmers association who are undertaking the tract improvements themselves. It is anticipated that leases can be effected on the farm lots within 60 days provided the farmers association produces the necessary plans and Hawaii-Kai obtains the required City approvals. We shall cooperate in these steps and aid in expediting them insofar as we are able to do so.

Your concern in advising the Trustees of the urgency in issuing these leases to take advantage of the Federal loan possibilities is greatly appreciated, and you are hereby assured that the Trustees are making every reasonable effort to cooperate in this regard.

Very truly yours,

FRANK E. MIDKIFF,
President, Board of Trustees.

KAISER HAWAII-KAI DEVELOPMENT CO.,
Honolulu, Hawaii, February 29, 1968.

HON. SPARK M. MATSUNAGA,
*House of Representatives,
Washington, D.C.*

DEAR SPARKY: In reply to your letter of February 20, 1968, please note that the planning and subdivision of the Kamilonui farm area is the responsibility of the farmers in accordance with their desire and as provided in their agreement with Kaiser Hawaii-Kai. At a series of meetings between Kaiser, the farmers and Bishop Estate about four months ago, it was understood that the farmers would work closely with their engineer so that subdivision approval could be obtained and leases issued no later than April 1, 1968. Also, to satisfy the Farmers Home Administration, Bishop Estate cooperated by writing us letters of intent to lease the farm lots and roadways pursuant to the FHA's requirements.

We transmitted these letters to Mr. Scott of the Farmers Home Administration by letter dated October 23, 1967, a copy of which we attach for your information.

We have presented to the Trustees for approval proposed forms of the leases mentioned in the first paragraph of both Bishop Estate letters attached to ours of October 23, 1967. It is our understanding that they have been reviewed and found acceptable by Bishop Estate's staff and will be acted on by the Trustees this week. The total annual rent of \$15,120 has also been agreed to by all concerned. Accordingly, there would be no difficulty in having the leases ready for execution by the farmers before the anticipated April 1, 1968 target date, but for the obtaining of subdivision approval, which is a legal prerequisite to issuance of leases.

We have been told by the farmers' engineers that even if he continued work on the plans immediately, it would ordinarily take a minimum of three months before all necessary approvals can be obtained so that leasing of lots can take place. Since we have no contractual relationship with the engineer, we can do nothing

to expedite matters. We have, however, asked the farmers to do everything possible to complete their plans and secure City approval since we are as anxious as anyone to see them settled. The burden is really on the farmers at this point, and if it had not been for engineering delays which they were responsible for, we have no doubt that leases from Bishop Estate to each farmer could have been issued on or before April 1, 1968.

Very truly yours,

K. TIM YEE,

Vice president and General Manager.

Mr. GATHINGS. I would like to ask you about this paragraph on page 3 of your statement which has to do with the Bishop estate in which some 80 acres have been set aside from the original tract to create 27 two-and-a-half-acre farm lots.

What would those farm lots produce?

Mr. MATSUNAGA. Primarily, vegetables, Mr. Gathings.

Unlike the mainland farmers here, with only $2\frac{1}{2}$ acres, the farmer in Hawaii can make a livelihood because it is an all-year-round operation. We have the type of climate there which permits the growing of vegetables the year round, one crop after the other, principally table vegetables, leaf vegetables, such as lettuce, cabbages, and carrots, and so on, which they rotate right within the same acreage.

Mr. GATHINGS. It would not take many such acres, though, to supply the needs of the State of Hawaii?

Mr. MATSUNAGA. The 80 acres, amazingly, would supply much of the military needs. I do not have any comparative figures with me handy, but I am sure that the committee members would be amazed to find how much we are able to produce in the course of a year on 1 acre of land as compared to a farmer, say, in the Midwest, because, of course, we are blessed with the climate we have.

Mr. GATHINGS. There are not many estates, though, being divided up in this manner; is that right?

Mr. MATSUNAGA. I believe that Hawaii is about the only State. Because of the uniqueness of Hawaii's situation, so far as farming is concerned, we have made this law applicable only to Hawaii. I do not believe there is any demand for this type of legislation anywhere else in the United States.

Mr. GATHINGS. What is the size of an ordinary farm operation in your State?

Mr. MATSUNAGA. Oh, it is about $2\frac{1}{2}$ to 10 acres.

Mr. TEAGUE of California. That would not be true of all field crops, though, would it?

Mr. MATSUNAGA. Of course, I am referring merely to the small truck-crop farmers and not to the sugar plantations.

Mr. GATHINGS. How about the sugar plantation size?

Mr. MATSUNAGA. There we vary anywhere from 5 to 10 acres among the small farmers, who, incidentally, are mostly part-time farmers. Of course, there are thousands of acres among the bigger plantations.

Mr. GATHINGS. You have all sizes of operations?

Mr. MATSUNAGA. All sizes, on the big island. Along there we have over 2,000 small farmers growing sugar cane. On most of the other islands we have just big plantations, operating acreages, in the thousands of acres.

Mr. GATHINGS. Do these small farmers own their land in fee simple, or do they operate under this type of lease arrangement?

Mr. MATSUNAGA. They operate under the peculiar type of lease arrangement we have. Frequently, with the Government, and even with the plantations. The plantations will lease out to the independent farmers on a contractual basis.

Mr. GATHINGS. These loans that the Farmers Home Administration has made, referred to in your statement, only about one-third of the total applications in your State have been approved by that agency. What kind of a lease arrangement do they have?

Mr. MATSUNAGA. These were principally the same type of arrangement that is being proposed in the extension of the act; that is, the Kamilonui farmers are right in the same area having about 2½ acres each. In that vicinity, we, also, have other farmers who managed to be in that area where the housing development did not catch up with them, and right now, under Public Law 586, we have seven applications which have been approved. It is right within that same area, and we have an additional six right now which would be approved under the Rural Housing Authority rather than under this act, making a total of 13 applications received by the FHA right in the Kamilonui tract. The proposed 27 two-and-one-half-acre minimum lots will be in addition to these, but the farmers have not as yet had the lease written up for the approval of the FHA and the FHA cannot proceed without the actual lease document being approved by the parties involved, as I said earlier in my prepared statement. Hawaii-Kai Development Co., and, of course, the city and county would enter into this so far as rezoning of this area goes.

Mr. GATHINGS. Your bill will relieve how many farmers, and what area, over your State?

Mr. MATSUNAGA. Well, primarily, this bill is intended for these 27 displaced farmers. They were farmers in that area which has been converted into residential lots, but the Bernice P. Bishop estate has been kind enough to set aside these 80 acres for these 27 farmers who were displaced, and it will apply to these 27 additional farmers who are waiting the grant of a lease from the Bishop estate.

Mr. GATHINGS. It could apply to other farmers up to the expiration date of your bill?

Mr. MATSUNAGA. It could; yes. But it is primarily intended for the farmers in this valley, the Kamilonui Valley.

Mr. GATHINGS. Mr. Teague?

Mr. TEAGUE of California. I have no questions.

Mr. GATHINGS. Mr. Goodling?

Mr. GOODLING. I want to ask one question as to what you were saying. Did you say that a family can exist on 2½ acres?

Mr. MATSUNAGA. Amazingly enough, yes, Mr. Goodling, because of the wonderful climate we have, where we can grow vegetables all year-round.

Mr. GOODLING. How many crops are involved in that rotation where you spoke of lettuce? How many crops of lettuce are grown in a year?

Mr. MATSUNAGA. It takes 3 months to grow lettuce. About four crops, I would say. And then they have it going into harvest at different times, continuously. In other words, they do not plant all at one time, in rotation growing, so that there is a continuous crop there.

Mr. GOODLING. And they can make a respectable living on 2½ acres?

Mr. MATSUNAGA. Yes, they have.

Mr. GOODLING. I am going to move to your State.

Mr. MATSUNAGA. Thank you, you'd be most welcome.

Mr. GATHINGS. Mr. Zwach?

Mr. ZWACH. I note you have pending seven loans for about \$232,000. They do not rent it only; they lease it?

Mr. MATSUNAGA. That is correct.

Mr. ZWACH. This money will be used then for that purpose. Do they make a lump payment or do they make an annual payment on the lease for the rent? How will the money be used? Is that for equipment?

Mr. MATSUNAGA. For the development of the land, not as payment on the lease of the land.

Mr. ZWACH. It is a personal loan?

Mr. MATSUNAGA. That is correct. The payment on the land will be on an annual basis as rental.

Mr. GATHINGS. Chairman Poage?

Mr. POAGE. I would like to ask a question off the record.

(Discussion was had off the record.)

Mr. GATHINGS. Are there any further questions of Mr. Matsunaga? If not, we thank you very much.

Mr. MATSUNAGA. Thank you very much. I certainly appreciate your holding an early hearing.

Mr. GATHINGS. Our next witness is Mr. Henry Lowe, Assistant Administrator of Farmers Home Administration who is accompanied by Mr. Howard Campbell, Assistant General Counsel of the Department of Agriculture.

We will be pleased to hear from you now.

STATEMENT OF HENRY LOWE, ASSISTANT ADMINISTRATOR, REAL ESTATE LOANS, FARMERS HOME ADMINISTRATION; ACCOMPANIED BY HOWARD CAMPBELL, ASSISTANT GENERAL COUNSEL, RURAL DEVELOPMENT AND CONSERVATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. LOWE. Mr. Chairman and members of the committee. We do not have a prepared statement.

The position of the Department is outlined in a letter from the Secretary that just arrived this morning. It is the same position as taken originally, which is that the Department opposes the extension of the bill primarily because it is limited to the State of Hawaii. It is felt that if this authority is made available for the State of Hawaii, it should be made available to the other States, as well as Puerto Rico.

Other than that, we have no further statement.

Mr. GATHINGS. As I recall, Mr. Lowe, in the 89th Congress I believe the Department of Agriculture took a similar stand? Is that correct?

Mr. LOWE. Mr. Campbell was here at the time. He is more familiar with the background than I would be.

Mr. GATHINGS. Thank you.

Are there any questions?

Mr. Poage?

Mr. POAGE. Do you think this is a good policy, to encourage the entailment of land over long periods of time?

Mr. LOWE. From the family standpoint, who primarily we are attempting to assist, this is, as I understand it, about the only opportunity whereby they can obtain land to operate for agricultural purposes.

Mr. POAGE. Do you think that we should allow the entailment of estates, as such, and if we did not, would there not be more land open to farmers than if we did continue to permit that?

Mr. LOWE. Mr. Campbell, would you comment on that, please?

Mr. CAMPBELL. The problem is broader than trust estates. We are talking predominantly about the Bishop Estate here this morning, but it is my understanding that when the island took on a territorial status there was a provision in the treaty between the then sovereign of Hawaii and the United States, that the land then in Hawaii, a certain amount of it at least, would be available for native-born Hawaiians. That provision, I think, was the policy of the territory to which the United States agreed in its inception. Circumstances may have warranted it at that time. I express no opinion on that. Nevertheless, there are certain blocks of land in the State of Hawaii that are under the control of the lands department, the incumbrance of which is still restricted to native-born Hawaiians. There are other public lands owned by the State of Hawaii in which much the same character of public policy of the State is administered but under less rigid control.

It is my view that it would require a change of the constitution of the State of Hawaii, consented to by the Congress of the United States, before this problem is completely solved reversing the policy of the State with respect to land tenure. I am not sure that the entire solution can be accomplished by legislation. Some change can be made by State legislation, I am sure. What constitutional problems you would run into if you passed a legislative act for the State of Hawaii which directed that these trusts are no longer valid, the existing trusts, in their restrictive application, I am not quite sure but that there will be some constitutional problems.

Mr. POAGE. Aside from the constitutional and legal questions, I asked: Do you think this is good public policy to retain these large estates without breaking them up?

Mr. CAMPBELL. It is my personal opinion that we always get in trouble when we permit large landownership by a small part of the community.

Mr. POAGE. We went into Japan and, in effect, instructed those in charge after the war to break up the large estates; did we not, and we did break them up rather substantially, I understand? Is that not right?

Mr. CAMPBELL. I think that is true. I have never studied that problem, Mr. POAGE.

Mr. POAGE. And it seems to have worked pretty well.

Now, we encouraged that policy in every underdeveloped nation, do we not, where we give aid or have given aid?

Mr. CAMPBELL. Yes, sir.

Mr. POAGE. And is it not a little inconsistent to export American ideas to everybody else in the world, to tell them to break up their landed estates, and yet to encourage and extend and give validity to such situations that even now exist in these parts of the United States?

Mr. CAMPBELL. Again, my personal inclination is to agree with you.

I have some reservations about part of your question relating to the legality of some situations that now exist.

Mr. POAGE. I am not talking about the legality; I am talking about the policy.

Yet, the Department of Agriculture comes to us and asks that we make it easier to maintain these entailed estates in the other 49 States. That is what you are asking, is it not, in your report?

Mr. CAMPBELL. It was not for the purpose of permitting entailment of estates, Mr. Chairman.

Mr. POAGE. But it does do it, does it not?

Mr. CAMPBELL. It also addresses itself to a factual problem in the United States, which is affected by the high price of land and the inability of many farmers to acquire by purchase a sufficient land base at today's price and today's return in order to have ownership of all of the land he needs.

Mr. POAGE. But it does do it, does it not, Mr. Campbell? The report of the Department of Agriculture—in enacting the law—would make it easier to maintain in perpetuity large land estates in all of the States of the Union; is that not true?

Mr. CAMPBELL. But there is no prohibition in the United States as to the number of acres the individual can obtain. There is no prohibition against devising land acquired to the family so long as it is done in compliance with the law.

Mr. POAGE. There is no law in the United States that says that water cannot go down the Mississippi River.

My question is not whether water is flowing down the Mississippi, nor is it as to the law of selling land. I am simply asking you if the report of the Department of Agriculture, if enacted into law, would make it easier to maintain these estates?

Mr. CAMPBELL. I do not think it would have that effect, necessarily.

Mr. POAGE. What other effect could it have?

Mr. CAMPBELL. The enactment of this type of provision in the Consolidated Farmers Home Administration Act would only authorize the extension of credit on the basis of leasehold interests and the development of those leasehold interests for farming purposes. It has nothing to do with the laws of inheritance or the laws of distribution or the law otherwise.

Mr. POAGE. Does it not make it much easier to maintain an estate if it is possible for the renter to get credit to improve it—does not that make it easier to maintain that estate?

Mr. CAMPBELL. It makes it easier to develop the land by an operator who is not the fee simple owner.

Mr. POAGE. I want to give it to Hawaii on a temporary basis, but to extend it to the other 49 States of the United States it seems to me would be moving in the reverse direction of what we want. I have not been one who has desired to go out and break up everybody's estate. I believe that a man has the right to acquire land, the same as anything else, but I do not think it is good public policy to encourage the maintenance of those estates in perpetuity, and I think that what we are talking about here is public policy.

Mr. GATHINGS. Would the chairman yield?

Mr. POAGE. Yes, sir.

Mr. GATHINGS. I believe that the rule in *Shelley's* case was that the devise of the land must vest within a life or lives in being, plus 21 years. That is the law today, is it not?

Mr. POAGE. Yes, sir, in many States.

Mr. CAMPBELL. Yes, sir.

Mr. GATHINGS. Mr. Goodling?

Mr. GOODLING. Are we not in effect doing exactly the same thing in the United States?

I am thinking of our corporation farms.

Mr. POAGE. Again, that is a policy. I come from a State which has a constitutional prohibition against corporate farming—I guess we are the only ones with such a law, and I think we have had it ever since '76. You can have a corporation in Texas for the purpose of raising livestock. That is perfectly constitutional, but it is not to engage in agriculture.

Mr. GOODLING. As I recall, the King Farm is in Texas, is it not?

Mr. POAGE. That is perfectly constitutional. That is purely ranching, and the constitution provides specifically for corporate livestock operations. That is one of the peculiarities of it. It specifically authorizes livestock operations. The King ranch is a range operation; they do not do farming.

Mr. GOODLING. The same organization came into one of my good counties in Pennsylvania and bought up farm after farm.

Mr. POAGE. They did that under the Pennsylvania law.

Mr. GOODLING. It is perfectly legal, but I am wondering if we are not talking about the same thing.

Mr. POAGE. We are, and I do not think it is a good thing. Do you?

Mr. GOODLING. No, I do not.

Mr. GATHINGS. Are there any further statements with respect to this legislation?

If not, we thank you.

Mr. LOWE. Thank you.

Mr. GATHINGS. Chairman Poage states that we will now go into executive session.

(Whereupon, at 10:45 a.m., the committee retired into executive session and the reporter was excused.)

ST. LOUIS-SAN FRANCISCO RAILWAY CO. EASEMENT OVER FEDERAL LAND

TUESDAY, JUNE 4, 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 of the committee, presiding.

Present: Representatives Poage, Gathings, Abbitt, Jones of Missouri, de la Garza, Vigorito, Jones of North Carolina, Teague, Miller, Mayne, Zwach, Kleppe, and Myers.

Also Present: Christine S. Gallagher, clerk; William C. Black, general counsel, Hyde H. Murray, assistant general counsel, L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order. We have our colleague from Missouri with us today, Mr. Ichord, who wants to present a bill, H.R. 17320, to authorize the Secretary of Agriculture to grant an easement over certain lands to the Saint Louis-San Francisco Railway Co.

(The bill and report follow:)

[H.R. 17320, 90th Cong., second sess.]

A BILL To authorize the Secretary of Agriculture to grant an easement over certain lands to the Saint Louis-San Francisco Railway Company

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, the Secretary of Agriculture is authorized, upon such terms as he may deem advisable, to grant, and to convey by proper instrument, a perpetual easement to the Saint Louis-San Francisco Railway Company, its successors and assigns, in, upon, across, and over national forest lands and other lands under the jurisdiction of the Department of Agriculture for the construction, maintenance, and operation of a railway line between a point approximately one and seventy-five one-hundredths miles north of Keyville, Crawford County, Missouri, to a point at or near Buick, Iron County, Missouri, and for any related purpose deemed appropriate by the Secretary. Such easement (1) shall be granted only upon a finding by the Secretary that it will not be incompatible with the public interest, (2) shall not include any more land than is reasonably necessary for the purpose for which granted, (3) shall include provisions for payment of adequate compensation, and (4) may include a right to use from the subject lands materials and products for the construction and maintenance of authorized improvements thereon upon the payment of adequate compensation therefor.

SEC. 2. All or any part of such easement may be annulled or forfeited by declaration of the Secretary for failure to comply with the terms of the grant or for nonuse for a period of two consecutive years or abandonment of rights granted under authority hereof.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., June 4, 1968.

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

DEAR MR. CHAIRMAN: As requested here is our report on H.R. 17320, "To authorize the Secretary of Agriculture to grant an easement over certain lands to the Saint Louis-San Francisco Railway Company."

The Department of Agriculture recommends enactment of H.R. 17320.

This bill would authorize the Secretary of Agriculture to grant a perpetual easement to the Saint Louis-San Francisco Railway Company, its successors and assigns, for the construction, maintenance, and operation of a railway line on National Forest and other lands administered by the Secretary in Crawford and Iron Counties, Missouri. The easement would be granted upon such terms as the Secretary deems advisable. It could be granted only if the Secretary found it would not be incompatible with the public interest. It could not include more land than is reasonably necessary for the purpose for which granted.

Provisions for payment of adequate compensation would be included in the proposed easement. Also, it could include a right for the Company to use from the easement lands materials and products needed for construction and maintenance of authorized improvements. The Company would be required to pay adequate compensation for the materials and products used.

Section 2 of H.R. 17320 provides for annulment or forfeit of the easement if declaration of the Secretary for noncompliance with the terms of the easement, nonuse for a period of two consecutive years, or for abandonment.

The Saint Louis-San Francisco Railway Company presently operates a railway line over the route referred to in this bill. The portion of the right-of-way, about 14 miles, which is on National Forest land is being temporarily used under a special use permit issued by the Forest Service in this Department. The area of National Forest land occupied by the right-of-way is about 139 acres.

Intensive activity in the mining and processing of lead deposits in this area served by the railroad has resulted in the need for improvements to meet increased traffic on the line. We understand that the lending institution expected to provide the financing for the improvements is requiring that the Company obtain a greater interest in the right-of-way than the revocable special use permit.

There is no present authority to grant easements for a railroad right-of-way across lands acquired under the authority of the Weeks Act of March 1, 1911 (36 Stat. 961). This is the Act under which the concerned lands were acquired. Also the authority of the Secretary to issue special use term permits is limited to an area of 80 acres and a period of 30 years, neither of which is adequate for the purposes of the Company here.

H.R. 17320 is almost identical to Private Law 86-478 (74 Stat. A96), which met a similar situation. As in that case, we believe this bill contains adequate provisions to enable the Secretary to fully protect the public interest.

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

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

The CHAIRMAN. Mr. Ichord, do you wish to open the discussion, or would you prefer to have Mr. Nelson, or how would you like to proceed?

Mr. ICHORD. If it please the Chair, I can briefly explain the bill to the Chair.

The CHAIRMAN. Very well. We will be happy to hear you.

STATEMENT OF HON. RICHARD ICHORD, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MISSOURI

Mr. ICHORD. Mr. Chairman and members of the committee, I might conserve time by briefly summarizing the statement which I have.

(The statement in full follows:)

STATEMENT OF HON. RICHARD H. ICHORD, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF MISSOURI

H.R. 17320 authorizes the Secretary of Agriculture to grant St. Louis-San Francisco Railway Company (Frisco), its successors and assigns a perpetual easement over national forest lands in the counties of Crawford and Iron, in the State of Missouri. The prompt enactment of this bill is of the utmost importance to the district which I represent and to the entire State of Missouri.

Frisco is a Missouri corporation which operates railroad lines in Missouri, Oklahoma, Kansas, Texas, Arkansas, Tennessee, Mississippi, Alabama and Florida. It operates approximately 25% of the rail mileage in the State of Missouri. In recent years the Frisco has been one of the railroads which has fared remarkably well and has improved its rail road and at the same time been able to pay its owners a reasonable return on their investment.

In 1964 it became public knowledge that a number of mining companies had discovered sizable lead deposits in the south central part of Missouri, including Crawford and Iron Counties. These discoveries were sufficient to attract the interest of a number of substantial mining companies and to justify their commitment to expend approximately \$150,000,000 on mining and smelting facilities in the area. There was no rail transportation available in this area and these mining and smelting facilities would have had to depend upon the winding and hilly roads in this mountainous area for their transportation.

After consultation with the mining companies and surveys of the area, Frisco was satisfied that construction of a line of railroad to serve this area was feasible both from an engineering and an economic standpoint. It therefore applied to the Interstate Commerce Commission for authority to construct 32.7 miles of track from a connection with one of its lines into this lead belt area and received authority to begin construction on November 4, 1964.

After extensive engineering surveys of the area construction was begun in January of 1966 and was completed in July of 1967. The construction of this new line of railroad has required a capital expenditure by the Frisco of approximately \$6,600,000. It is one of the longest lines of new railroad to be built in the United States in many years.

As a part of this project, it was necessary for the Frisco to obtain sufficient right of way for the construction. All of the right of way which was not located in the Clark National Forest was obtained by either purchase or condemnation. However, approximately 14 miles of the new railroad had to necessarily traverse the National Forest and after consultation with the Forest Service, Frisco obtained the standard Special Use Permit covering the proposed route from the Forest Service. This Special Use Permit was all that the Forest Service could grant without special authority such as is provided in H.R. 17320 because the Clark National Forest is "acquired forest land" and was not part of the public domain. The Forest Service likewise could not grant a Term Permit because there were more than eighty acres of land involved.

The Special Use Permit was satisfactory to the railroad and was used as the basis for the construction. When the line was nearing completion, the railroad made arrangements for long term financing of the project. Under the arrangements which have been made, a group of eight institutional lenders will lend \$6,000,000 secured by a purchase money mortgage upon the line of railroad. The railroad's stockholders authorized the borrowing and the Interstate Commerce Commission has approved the transaction.

In the negotiations leading up to the closing of the loan, the lenders raised an objection to the Special Use Permit on the grounds that it was, by its terms, not transferrable and one of the provisions provided for the revocation of the Permit at the discretion of the Regional Forester. The lenders felt that these provisions were not compatible with the 25-year loan which they were making. Examination of the operation of these provisions has indicated that they have seldom, if ever, been used, but this practice was not sufficient to satisfy the

lenders. In order to resolve this objection raised by the lenders, Frisco seeks the enactment of H.R. 17320 which will enable the Secretary of Agriculture to grant Frisco, its successors and assigns a perpetual easement over the land traversed by this new line of railroad.

This new railroad, which is called the Lead Belt Line, is a valuable asset to the communities which it serves. This undeveloped rural area in the Ozark mountain region has been one of the forgotten spots in our country. Economically it has not developed for many years and the mining operations which are now operating in the area will give the economy of the entire area a terrific boost. The investment of approximately \$150,000,000 in the area, together with the new jobs for approximately 2,000 people, will have a lasting effect. This is in an area where the total population was only approximately 10,000 and where no industry previously existed. The expansion and the construction of the mining facilities and the construction of the railroad has helped to provide many new jobs and will in the future provide many new jobs and has transformed this formerly depressed area into a stable mining community. The overall project will aid the Forest Service's objective of creating a rural renaissance whereby rural areas will become attractive and people will stay in them or move into them and assist in the restoration of a rural-urban balance.

One of the most definite advantages to the United States is that under these projects royalty agreements in the areas served by this railroad are presently amounting to approximately \$400,000 per year and these are expected to increase to approximately \$1,000,000 for the year 1969 and every year thereafter. Twenty-five percent of this amount is to be distributed to the various counties in the area upon a prorated basis depending upon the amount of government-owned land of the Clark National Forest in each county.

The representatives of the Frisco have informed me that throughout the handling of this project they have received the fullest cooperation from the representatives of the Forest Service who have attempted to assist them in every way in the construction of the line and in attempting to satisfy the objections of the lenders.

The passage of H.R. 17320 is of utmost importance to the Frisco and to the communities served by this line of railroad. I therefore earnestly request that the committee give this bill favorable consideration. Since it is important to the Frisco and to the institutions who have agreed to lend money on this project that the long term financing arrangements be consummated at the earliest possible date, I request that you give this bill immediate and special consideration so that those financing arrangements can be finally closed before the end of the month.

Mr. ICHORD. H.R. 17320 is for the purpose of permitting the Department of Agriculture, specifically the Forest Service, to grant a perpetual easement to the St. Louis-San Francisco Railway Co., commonly known as the Frisco Railway, in my district over 30 some odd miles of land—32.7 miles long, but only 14 miles through the Forest Service lands in my district.

Mr. Chairman, this area is still one of the hottest mineral developing areas in the United States with the recent discovery of magnetic iron ore and also large lead deposits. As a matter of fact, there are better than 150 million dollars of investment already made in mines and smelters. The exploratory developments are still going on. Several additional mines are being constructed.

At the present time there are two new smelters in the area under construction for the smelting of lead mined in the area. The Frisco Railroad in 1966 surveyed for a construction of a railroad to serve the mines and the smelters in the area and they completed this construction in July 1967, under a temporary or special-use permit granted by the Forest Service.

The difficulty arose when Frisco Railroad started to close its loan with its lenders back in New York City. The lenders refused to complete the loan on a special-use permit. As the Chair and the members of

the committee well know, the Forest Service cannot dispose of any lands permanently. It can exchange lands, but it cannot permanently dispose of them. The Forest Service had granted a special permit, but that would not be sufficient for the lenders to complete the loan. So this is a bill to authorize the Department of Agriculture to grant a permanent easement.

I would point out to the Chair and to the members of the committee, that this follows an act, Public Law 86-478, a bill passed by this committee and by the Congress on September 13, 1960, Public Law 86-478, which granted a perpetual easement to the Cincinnati and Southern Railway over Forest Service land. This is almost identical. I think there was one change in wording from the 1960 act that was suggested by the Forest Service in order to conform with some of their policies.

At the present time the Frisco Railroad is paying about \$650 a year for the special-use permit, but I understand that the Department of Agriculture, the Forest Service, is going to insist upon the payment of a lump sum for the perpetual easement.

This is extremely important, Mr. Chairman, to Missouri and particularly to my area, and I would respectfully request that the committee in its wisdom expedite the matter as quickly as possible. I would be very happy to answer any questions that you might have about the matter.

The CHAIRMAN. Mr. Ichord, we are always delighted to have you come before this committee, whether it be on a matter relating to crops or whether it be on a matter relating to property.

You did make mention of something that I did not have clearly in mind. You said that the Forest Service would require the railroad to make a lump sum payment. How much of a lump sum payment?

Mr. ICHORD. I just asked the representatives of the Forest Service what would be the amount. They told me that had not been established as yet.

The witnesses from the Forest Service are here and perhaps they can give the committee some idea what the sum will be. This will involve about 138.7 acres of Forest Service land.

There are 14 miles of land through Forest Service lands, and the right-of-way will average about 100 feet, and probably a little less.

The CHAIRMAN. The railroad is already built.

Mr. ICHORD. The railroad is already built under a special use permit. But the difficulty arose, and I think the members of the committee can see why—I know if I were a lender, I would not want to lend money on the railroad property which would be revocable at will by the Government. So in the closing of the loan, they required a perpetual easement. As I stated, apparently railroads have encountered this difficulty previously as in 1960 we granted a perpetual to the Cincinnati and Southern Railway by the passage of Public Law 86-478.

The CHAIRMAN. Are there any other questions of Mr. Ichord?

Mr. TEAGUE. I have no questions, Mr. Chairman.

Mr. ZWACH. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Zwach.

Mr. ZWACH. I presume, Mr. Ichord, the lease arrangement would protect against fire and all other hazards that are involved.

Mr. ICHORD. This would be a perpetual easement over the area. The Forest Service will enter into the terms of this special perpetual easement with the Frisco Railroad. I am not familiar with the terms of the instrument. As far as I know, that instrument has not yet been drafted. I am sure the members of the Forest Service will be able to answer the question.

Mr. ZWACH. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. DE LA GARZA. Mr. Chairman, I have just one question. If the lenders only require 25 years, why are you asking for a perpetual easement?

Mr. ICHORD. I checked with the Forest Service on this, sir, and looked into the past precedents, and that is the way it was handled in the case of the Cincinnati and Southern Railway. I am sure they would want it at least for the existence of the railroad.

I do not know the source of that. I know if I were the lender, I would not want it made on a 25-year basis. I would point out that the Secretary can revoke the grant for nonuse or for a period of 2 consecutive years or abandonment of the rights granted under the authority. So that would take care of the problem you have there.

Mr. GATHINGS. Mr. Ichord, may I ask about the alleged deposits in that area. Have they been developed over a period of a number of years? Has the mining company been operating there for a long time?

Mr. ICHORD. When I was a member of the Missouri Legislature we appropriated special funds for an aerial magnetic survey of the area, which was matched by Federal grants. The resulting magnetic mapping showed these areas of lead deposits. They were very deep and for that reason had not been discovered and developed. The gentleman from Arkansas is familiar with the old Lead Belt area of Missouri which centered around Plat River. This is 50 or 60 miles on down south. They are opening up several mines in that area. The deposits are a lot richer. The reason they were not developed previously is that they are so much deeper.

The CHAIRMAN. How deep are they?

Mr. ICHORD. They run several hundred feet down. But it is still pretty cheap mining because you can do what they call columnar mining in that area. You go in and dig out the lead deposits and leave the limestone and lead formation for your columns. So it makes for pretty cheap mining.

We have all of the major mining companies in that area. Nearby are some great iron ore discoveries of magnetic iron, which is 2 or 3 thousand feet down, I understand. One company has put about \$50 million into one mine, and it is thought that this is going to develop that area into another Ruhr Valley. It is really booming. As the gentleman from Arkansas well knows, all we have had on top of the ground there are scrub post oaks and rocks. It is really transforming the area. I might state this area has recently been transferred under the Missouri Redistricting Act to Congressman Paul Jones' district, and I regret that I will no longer have the privilege of representing the area.

Mr. JONES of Missouri. Mr. Chairman, may I just make a little comment about this and first apologize for being a little late to this

meeting. I got interested in some of my mail this morning. In it was a press release containing a warning by a Texas Congressman on riots and looting. Through this release I found that our chairman was going to make a speech tonight. I just want to tell him that I concur 100 percent in his views and I hope he will "pour it on" when he makes that speech tonight.

That accounts for my lateness here at this meeting.

Mr. ICHORD. The witness will also agree with the Chair.

Mr. JONES of Missouri. The area that Representative Ichord refers to has been known all of my life as the Lead Belt of Missouri. Even the newspaper is called the Lead Belt News and everything is tied in with the Lead Belt.

In recent years the lead mining had deteriorated some, and then they found these new deposits which they have begun developing, which promise to be far greater than anything they have had in the past. The need for getting this rail line in there to move the ore out is important. In other words, the whole prosperity of that area is involved. There will be a time, and we do not know how soon it will be, when we will need this natural resource.

I might also indicate, and Mr. Ichord has mentioned about the iron deposits in that area, which have given evidence of being much richer than anything that we had anticipated or thought could happen in that district, although it is kind of coincidental, that years ago one of the counties in the area was named Iron County. We also have great deposits of structural stone there, and some of that has been mined and used in the capital. It is a very beautiful thing. It is a little north and east of this particular area.

As the witness has indicated, it seems that we have to go down deep there to get the full benefit of the resources that God provided in that area to start with, because on top of the ground it is just about as poor as anything you could imagine in this area, and it is rough. This is certainly a bill that I think deserves the immediate attention of Congress, and that we should do whatever is necessary to secure the approval of the Department of Agriculture.

Mr. ICHORD. I might point out to the Chair that already the Federal Government is receiving \$400,000 a year from royalties from mines located on Forest Service land.

Many of the mines are on Forest Service lands. Next year that is expected to increase as additional mines come into production to a million dollars a year in royalties alone.

The CHAIRMAN. Without a railroad, they would not be worth much.

Mr. ICHORD. You have to get that lead out to reach the markets down in Texas, Arkansas, and the other States.

Mr. JONES of Missouri. Most of the Missouri mules are gone, so we don't have the mules to bring them out.

The CHAIRMAN. Are there any more questions of Mr. Ichord? If not, we are always glad to have you with us, Mr. Ichord, and we appreciate your statement. We will be glad to hear from any of the other witnesses in any order you care to call them.

Mr. ICHORD. Thank you very much, Mr. Chairman.

I believe, Mr. Chairman, the only other witness we have today would be from the Forest Service, who have worked very closely with

the lead mining companies and the railroads, and I am sure they will give you the details of the perpetual easement they propose to execute.

The CHAIRMAN. Dr. Nelson, we will be glad to hear from you.

**STATEMENT OF M. M. NELSON, DEPUTY CHIEF, FOREST SERVICE,
U.S. DEPARTMENT OF AGRICULTURE**

Mr. NELSON. Thank you, Mr. Chairman and members of the committee, I appreciate the opportunity to represent the Department of Agriculture today in support of H.R. 17320.

This bill would authorize the Secretary of Agriculture to grant a perpetual easement to the Saint Louis-San Francisco Railway Co. for a right-of-way across a portion of the Clark National Forest in Missouri. This right-of-way is already being used by the company under a revocable special-use permit issued by the Forest Service. It is occupied by the company's lead belt line which serves the growing lead mining and processing industry in that area.

We understand that, in order to obtain adequate financing for improvements on the line, the railway company must have a greater interest in the right-of-way than a special use permit gives them.

A perpetual easement would meet the needs of the company for this purpose. Under the provisions of this bill such an easement could be granted by the Secretary subject to conditions which would provide for adequate compensation and protect the overall public interest in the National Forest lands along the right-of-way.

No authority exists for granting an easement for a railroad right-of-way across National Forest lands acquired under the Weeks Act of 1911. H.R. 17320 would provide such authority in this case. In a practically identical situation in Kentucky in 1960, the Congress enacted S. 3665 (Private Law 86-748) authorizing the Secretary to grant a perpetual easement to the Cincinnati Southern Railway.

The Department recommends enactment of H.R. 17320.

Mr. Chairman, that concludes my statement.

The CHAIRMAN. Did that Private Law 86-478, come out of this committee?

Mr. NELSON. I believe it did.

The CHAIRMAN. I presume it did. I am not questioning it. I just do not know.

Mr. NELSON. I have here a copy of our report made in the Senate to Senator Ellender on the Senate Bill so it was before the Agriculture committee in the Senate.

The CHAIRMAN. The fact that it went to Senator Ellender's committee does not necessarily prove that it came to ours.

Mr. NELSON. That is correct.

The CHAIRMAN. It may have been sent around to some other place.

I did want to ask you, Mr. Nelson, this question: There is no provision in here as to the amount of the compensation. Have you agreed with the railroad as to the amount of the compensation?

Mr. NELSON. We have not made the final appraisal but I can tell the committee that it will be in the neighborhood of \$13,000 to \$14,000 for the value of the land. I should point out, too, that there is no severance damage involved because that has already been taken care of by the Railroad under the special-use permit. They have, for

example, cured the relocation of any roads or conditions which a railroad often cuts off. So that has already been taken care of. So basically, the appraisal will be for the value of the land that they occupy.

The CHAIRMAN. The Federal Government could not enjoy the income that it is now enjoying and the income that it hopes to enjoy in the future without this railroad, could it?

Mr. NELSON. Absolutely not. You see, as Congressman Ichord reported a minute ago, we own the minerals on a considerable amount of the land that is being mined. We expect in 1969 that the revenue on these minerals to the Federal Government will be in the neighborhood of a million dollars. One-fourth of that goes back to the counties for schools and roads within the counties, as do all receipts from the national forests.

The CHAIRMAN. You made reference to the act of 1911. That is the act under which you acquired lands, is it not?

Mr. NELSON. Yes, it is. The map over here shows in green the lands that we acquired in that district. That map also shows the railroad as it exists. All of that land was purchased under the Weeks law of 1911.

The CHAIRMAN. On lands where the Federal Government has never divested itself of title, such as the lands of much of the West, you can grant these rights-of-way; is that right?

Mr. NELSON. We can grant a special-use permit as we have in this case for the railroad. We also have easement-granting authority for roads, but not for railroads.

There was a special bill passed in 1964 which gives us this authority for roads.

The CHAIRMAN. What is the difference between the Weeks Act and the land that came out of the public domain?

Mr. NELSON. There is no difference in the way we manage the lands, but if the lands came out of the public domain the Interior Department has responsibility for certain mineral activity and for issuance of patents. The Interior Department does have authority for granting a railroad easement of this type based on the act of March 3, 1875, on national forest land created from the public domain. This authority does not apply to lands purchased under the Weeks law. Neither does the Department of Agriculture have easement-granting authority for railroads on this land. In 1964 the road easement bill passed Congress which authorized the Secretary of Agriculture to issue easements for roads both on the national forest land created from the public domain and that which was purchased under the Weeks law.

The CHAIRMAN. Why don't we give you general authority to issue these easements? Is it because we do not expect any more railroads to be built?

Mr. NELSON. We would recommend a general authority. In fact, the 88th Congress had a bill before it that would give both the Department of Agriculture and the Department of Interior general authority for issuing easements of this type, along with some other types of easements for which no authority exists. That bill did not pass at that time. It has not been sent back to this Congress. I can say

the Department of Agriculture would welcome a chance for the Secretary of Agriculture to have an easement-granting authority as he does now for roads.

The CHAIRMAN. Do you run into any trouble with powerlines?

Mr. NELSON. I am not exactly sure where the trouble was. One of the things I have been told was that some of the attorneys that were working on the bill felt that it should also repeal any previous authority, and name each one of the laws that the Department of Interior or Agriculture had for granting of this type of authority. The bill that was sent to the Congress did not name those. Consequently, that was one of the reasons, I have been told, why it did not get through the committees at that time.

The CHAIRMAN. Are there any questions?

Mr. MYERS. This involved about 23 miles. How many acres is involved here? I say it is about 23, is that correct?

Mr. NELSON. That is about right. The actual acres of national forest land that it covers is 138.7 acres. It crosses national forest land, the green in the map there, for 14.17 miles.

Mr. MYERS. Will the railroad take more land than they are using now under this bill?

Mr. NELSON. No.

Mr. MYERS. It is going to be a different provision for this railroad than you have now?

Mr. NELSON. It is just a different instrument under which they will hold the easement in this case, rather than a special-use permit, which is revocable.

Incidentally, the railroad company has done all the cleanup work, the provisions for erosion control that were required in the special-use permit, so that part has been taken care of, and incidentally they did a very nice job. I have been on the area and have seen where they were constructing the railroad at the time they were constructing it.

Mr. MYERS. The chairman was speaking about easements providing for power transmission lines. What is your policy now concerning transmission lines and possibly even a utility line running across a national forest?

Mr. NELSON. We first issue a special-use permit for construction of such powerlines. If it is a major powerline, it might come under the Federal Power Act in connection with a Federal power project, and it is then authorized under the Federal Power Act. We also have authority to issue easements for powerlines for a period not to exceed 50 years.

The minor lines are those that are not connected with a Federal power project and are handled under a special-use permit if voltage is less than 33 kilovolts, or by limited easement if voltage is over 33 kilovolts. We have many, many miles of such powerlines on the national forests, both minor and major. We do, in connection with those, have a hand in the actual location, and we have requirements to protect resources and prevent damage such as erosion, and to consider the location in relation to the natural beauty along rivers, or major scenic highways.

Mr. MYERS. But an individual who through necessity might need to cross part of this, would have relatively no problem in getting power.

Mr. NELSON. That is right.

Mr. MYERS. This is not relevant to this bill, but I have this question come up.

Mr. NELSON. No, we have had many, many miles of powerlines.

The CHAIRMAN. Mr. Miller.

Mr. MILLER. Mr. Nelson, is there a possibility of increased traffic on the railroad? Is this why a change in easement would be made?

Mr. NELSON. I am sure there will be increased traffic. I think the railroad people are here today and can answer that better than I can. Many of the mines are just getting under development. When I was last there, they were sinking shafts on several mines and at that time they were not hauling ore by rail. I am sure that some of the mines are not yet completely developed and there will be a considerable amount of increased traffic.

I think, however, the basic reason, as was indicated before, is because of the financing of the project.

Mr. MILLER. What control would you not have under this type of a permit that you did have under the old special use permit?

Mr. NELSON. Under the old special use permit we could cancel it at any time, and that is one of the objections that the finance people have. Under an easement we will include stipulations that will take care of any of the items that we think are necessary to protect the adjacent national forest land and protect the public. Those same type of stipulations are in the special use permit at the present time.

Those will be carried forward into the new easement. The easement does allow such stipulations. So we feel that the public is fully and adequately protected under an easement just as well as they would be under a special use permit.

Mr. MILLER. Thank you.

The CHAIRMAN. Are there other questions?

Mr. ZWACH. Yes, Mr. Chairman.

Just for information, does this ore also contain nickel, and, also, copper, and manganese and some of the other ores, or is it a pure lead ore?

Mr. NELSON. I know the ore there contains many of the other minerals. The railroad people are here that haul the ore and maybe they can answer that better than I can, but when I was there, I talked to many of the mining people and I know it contains some of the other minerals you named, such as nickel, copper, and so forth.

Mr. ZWACH. Mentioned here was magnetic iron ore.

Mr. NELSON. Yes.

Mr. ZWACH. I come from the great ore area of the United States, Minnesota. Is this ore underground?

Mr. NELSON. Yes. The iron ore that has been referred to is very deep underground but of very high quality.

Mr. ZWACH. Fifty or 60 percent iron.

Mr. NELSON. I could not say that. I am not expert in that field.

Mr. ZWACH. Is it granular or is it taconite, the real hard rock-type ore?

Mr. NELSON. Mr. Congressman, I am a forester and that is out of my line.

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

MR. KLEPPE. Dr. Nelson, I understand you are going to be the last witness on this, and maybe this is not a proper question for you, but I want to ask you anyway.

I suspect that the railroad people involved in this perpetual easement are perfectly in agreement? You do not have any areas of difference between the Department and the railroad in setting up the perpetual easement that is talked about here, is that correct?

MR. NELSON. That is absolutely correct.

The CHAIRMAN. Are there any other questions?

MR. TEAGUE. Mr. Chairman, I do not have a question. I would like to make a statement. I am always impressed with Dr. Nelson's testimony. He is one of the best witnesses we have here. He is concise and precise and when he does not know the answer, he says so. I would like to compliment him.

MR. NELSON. Thank you.

The CHAIRMAN. We always like to have Dr. Nelson with us. We appreciate your statement, if there are no further questions.

MR. NELSON. I should clear up the record, Mr. Chairman. I am not "Doctor" Nelson. I am just M. M. Nelson or "Red" Nelson, as the Secretary and Chief call me. I do not have a doctor's degree. Also, the paper this morning promoted me to "Chief," I am not the Chief of the Forest Service, either.

The CHAIRMAN. Mr. Ichord.

MR. ICHORD. Mr. Chairman, I did not know the figure which the Forest Service was contemplating demanding for this perpetual easement.

Mr. Nelson has given it at around \$13,000 or \$14,000. I would point out that seems to be a very good price for the Government to receive for a perpetual easement. Prior to the discovery, the land in this area was selling for as little as \$4 or \$5 an acre. The average price for cut-over timberland was probably around \$10 an acre. That is not the mineral land. Now the land in the area is selling for \$40 or \$50 an acre. If they are going to charge \$100 an acre to the Frisco Railroad, you can bet the Government is getting a good return for the land in this area. We do have a representative from the Frisco Railroad, Mr. Grinnell, who would be available for answering any questions that the committee might have.

The CHAIRMAN. Are there any questions by the committee? If not, we appreciate your coming, sir.

If there are no further questions, we are very much obliged to you, gentlemen.

The committee will go into executive session.

(Whereupon, at 10:35 a.m., the committee went into executive session.)

FROZEN CONCENTRATED ORANGE JUICE

WEDNESDAY, JUNE 5, 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, Abbitt, Jones of Missouri, Stubblefield, Purcell, de la Garza, Jones of North Carolina, Dow, Teague, Hansen, Wampler, Miller, Burke, Mathias, Zwach, Kleppe, and Price.

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

The CHAIRMAN. We will now take up the bill, S. 3143—

To amend the Commodity Exchange Act, as amended, to make frozen concentrated orange juice subject to the provisions of such act.

(The bill follows:)

[S. 3143, 90th Cong., second sess.]

AN ACT To amend the Commodity Exchange Act, as amended, to make frozen concentrated orange juice subject to the provisions of such Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the third sentence of section 2(a) of the Commodity Exchange Act, as amended (7 U.S.C. 2), is amended by striking out "and livestock products" and inserting in lieu thereof "livestock products, and frozen concentrated orange juice".

Passed the Senate May 17, 1968.

Attest:

FRANCIS R. VALEO, *Secretary.*

The CHAIRMAN. I call on Mr. Alex Caldwell, Administrator of the Commodity Exchange Authority, who is present.

We will be glad to hear from you, Mr. Caldwell.

At this time I ask permission to insert after Mr. Caldwell's statement a statement by Mr. Lynn of the American Farm Bureau Federation, in general support of the bill, suggesting, however, that we should change the law so that any time in the future when a commodity is admitted to trading on the board it automatically be under the provisions of the Commodity Exchange Act.

STATEMENT OF ALEX C. CALDWELL, ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY; ACCOMPANIED BY RONALD CALLANDER, DIRECTOR OF TRADING DIVISION, COMMODITY EXCHANGE AUTHORITY

Mr. CALDWELL. Thank you, Mr. Chairman.

I have with me Mr. Ronald C. Callander, Director of the Trading Division of the Commodity Exchange Authority.

The CHAIRMAN. Glad to have you with us.

Mr. CALDWELL. Mr. Chairman and members of the committee, I am pleased to have this opportunity to appear before you today to present the Department's views on S. 3143, a bill to amend the Commodity Exchange Act by adding frozen concentrated orange juice to the commodities covered by the act.

The Department recommends the enactment of the bill.

Frozen orange juice is a new commodity in futures trading. Trading began in October 1966—about 20 months ago—on the Citrus Associates of the New York Cotton Exchange. In other words, the cotton exchange and its members inaugurated trading in this new commodity. I believe the market has taken hold in a manner beyond the highest hopes of its promoters.

The contract unit in which futures trading is conducted is 15,000 pounds of orange solids. Deliveries are made from exchange-licensed warehouses in Florida. The deliverable grade of frozen orange concentrate is U.S. Grade A.

Since the beginning of the market, futures trading in orange juice has risen steadily. In the calendar year 1967, the total volume of trading was 23,338 contracts. However, in the first 5 months of 1968, trading has ballooned to 52,246 contracts—more than double the total trading for all of 1967. The estimated value of this trading is \$400 million. Open contracts in frozen orange juice futures at the end of May amounted to 5,411 contracts and were approximately one and one-half times the level at the beginning of 1968. Open contracts are the number of contracts outstanding remaining to be settled, and are the best measure of market utilization by the industry and by the speculative public. There is every indication that the orange juice futures market is growing in economic use and is making itself felt as a marketing tool in the distribution of citrus products.

Since the beginning of trading, futures prices of frozen orange juice have been featured by wide fluctuations. The range between the high and low prices of the near futures in the first 6 months of 1967 amounted to 11 cents per pound. The range in the second 6 months amounted to 28 cents per pound. In the first 6 months of 1968, the range has been 11 cents per pound. These wide fluctuations which have occurred have increased participation by the citrus industry and the public as is the case in all futures markets with large fluctuations. The price of the July future on May 29, 1968, closed at 53.60 cents per pound compared to 61.55 cents on December 29, 1967.

Under the Commodity Exchange Act we have no authority to make a direct study of the operations of the futures market in orange juice. However, a study of market utilization has been made by the Florida Citrus Commission. The report on this study entitled "The Futures

Market for Frozen Concentrated Orange Juice After One Year," draws the following conclusion:

It was generally concluded by all the parties contacted that the futures market has enjoyed a successful first year. After a somewhat slow start, trade interests and trading volume have been highly satisfactory. It is expected that trade interest will continue to increase as hedging opportunities become more apparent to Florida processors and the volume purchasers of concentrate outside of Florida. Both hedgers and speculators have been active traders, which is another criterion of success.

The frozen orange juice futures market is one of the more active markets in agricultural commodities. The enactment of the bill would enable the Department to follow the day-to-day operations of traders in this market, and to prosecute persons who may engage in price manipulation and other unlawful trading practices.

In summary, the enactment of this bill would enable the Department to give the same type of protection to citrus producers and the general public as is now given to producers and the public in the grain markets, the cotton market, and the various other markets now covered by the act or to be brought under its provisions on June 18 by Public Law 90-258.

I would like to suggest that if the bill is approved it be made effective 90 days after its enactment rather than upon enactment. This would allow time for necessary changes in regulations and procedures, and a smoother transition from a nonregulated to a regulated market.

(Mr. Lynn's statement follows:)

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., June 5, 1968.

HON. W. R. POAGE,
Chairman, House Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN POAGE: We support in principle the provisions of S. 3143, to amend the Commodity Exchange Act as amended to make frozen concentrated orange juice subject to the provisions of this Act.

We also recommend that the Commodity Exchange Act be further amended to provide that when futures trading is inaugurated for a commodity, that such commodity automatically be included under the provisions of the Commodity Exchange Act. We believe that this would avoid undue delay and lessen the legislative and administrative work entailed in acting on each individual commodity after it has already started operations on the Exchange.

We respectfully recommend that this letter be made a part of the hearing record in connection with this legislation.

Sincerely yours,

JOHN C. LYNN, *Legislative Director.*

Mr. CALDWELL. Mr. Chairman, we would be pleased to answer any questions that the committee may have.

The CHAIRMAN. Thank you, Mr. Caldwell.

I wonder if you would give us a further explanation of the necessity of this bill. It is my understanding—and I probably do not understand these futures markets—anybody sells futures who wants to, on anything he wants to, is that right?

Mr. CALDWELL. That is true, Mr. Chairman.

The CHAIRMAN. You have no control over those operations unless there is specific law granting authority as to a specific commodity?

Mr. CALDWELL. That is true.

The CHAIRMAN. You heard in general terms when I mentioned Mr. Lynn's letter suggesting that we should amend the law so that any time there are commodities placed on the futures market you would have authority over them. What do you think of that suggestion?

Mr. CALDWELL. That has been considered several times, Mr. Chairman, and it is my personal feeling that the placing of commodities under the Commodity Exchange Act should remain in the hands of the Congress.

The CHAIRMAN. Why?

Mr. CALDWELL. I feel that there may be times when certain markets would appear to the Secretary of Agriculture as needing regulation but there may be other factors which the Congress may be aware of that perhaps would not require regulation.

The CHAIRMAN. What commodities do you think are exchanged on the future exchanges that should not be supervised by the Department?

Mr. CALDWELL. I mentioned the difference of opinion on whether certain commodities might be brought under. For example, when Congress was considering Public Law 90-258, the Secretary proposed that coffee and sugar be placed under the act. It was the decision of Congress that these were commodities that need not be regulated under the act.

The CHAIRMAN. Those are commodities that come from abroad in large part.

Mr. CALDWELL. To a large extent.

The CHAIRMAN. I remember that discussion.

Is there any reason why you should not have control over domestically produced commodities?

Mr. CALDWELL. There is no reason why the Secretary should not have control over domestic agriculture and forestry commodities. I would not like to see this extended to metals or things outside the agricultural area.

The CHAIRMAN. Does the Commodity Exchange Act apply to metals? I thought it applied only to agricultural commodities?

Mr. CALDWELL. It does at the present time; yes, sir.

The CHAIRMAN. I do understand the objection to sugar and coffee, or any other commodity, where possibly a substantial part, even as much as 15 or 20 percent of the commodity is imported; but if 95 percent of the commodity is produced at home, do you see any reason why we should not have control over the futures exchange?

Mr. CALDWELL. No; I don't.

The CHAIRMAN. Why wouldn't Mr. Lynn's suggestion be a rather sound one?

Mr. CALDWELL. It would be acceptable to us. Speaking for myself, I have not checked this with the others in the Department. However, as I said earlier, I am satisfied with the arrangement now under which Congress specifies the commodities to be brought under the act.

The CHAIRMAN. You do not foresee any other commodity that probably will come forth in the next few months or a year?

Mr. CALDWELL. I rather doubt it. As you know, Public Law 90-258 will bring livestock and livestock products under the act effective on June 18. These are big markets and the orange juice market is a big

market. I don't foresee any other markets of the size that would have any real impact on the agricultural economy that should be brought under the act in the next few months.

The CHAIRMAN. I wanted to ask you about another phase of this. You pointed out that since there has been trading in orange juice there have been some rather substantial fluctuations in the price. Isn't the major alleged benefit of futures markets to cut off the hills and fill up the valleys and more or less level out the price structure; isn't that the major benefit that is held out by the futures market?

Mr. CALDWELL. The futures market reflects supply and demand. In a commodity such as orange juice where you have a wide variation between supply and demand over a period of months and years, you are apt to have wide fluctuations regardless of whether there is a futures market or whether that futures market is regulated.

The regulation of the market would hopefully prevent price manipulation, corners and squeezers, and things of that type, that would disrupt prices, but it would not affect general price changes due to changes in supply and demand.

The CHAIRMAN. Are you saying that the fluctuations in price to which you made reference were natural and normal fluctuations and not a result of manipulation?

Mr. CALDWELL. We do not have any way of knowing. We do not have authority to investigate this market. I have no knowledge of any manipulation going on at this point.

The CHAIRMAN. That leads to this question: Why do we need to bring orange juice under control if everything is all right and moving along naturally? Why do we need regulation on that orange juice?

Mr. CALDWELL. We don't know that everything is all right. I said that we have no authority to gain information on the market. I do know—

The CHAIRMAN. You mean there is a prohibition against your knowing things that are available to everybody else?

Mr. CALDWELL. We know that. However, we cannot go into the brokerage houses and get information about the individual traders in the market, and so forth. We would need to have this type of information to make a determination as to whether there was any manipulation, or cornerers, or squeezers in the market.

The CHAIRMAN. You must have some opinion or you couldn't have an opinion as to the need for this authority. Why do you think that you need this authority?

Mr. CALDWELL. Generally, Mr. Chairman, it has been my experience over the years when new commodities are brought under the act, we ordinarily find that there are situations which are in violation of the act and which should be corrected. I have no reason to believe that the situation would be different here. However, as I say, I cannot point to any violations of the act now because we just don't have the information.

The CHAIRMAN. I do not have any information either, but from what I understood you thought there was no need of having any general authority to bring commodities under control automatically as they are placed on the board. Then you tell us that just as a general rule the only reason you think a commodity ought to be brought under control is just the general philosophy as a new commodity is placed

on the board there is a likelihood of manipulation and therefore as a general proposition there is likely to be manipulation, you think we ought to take up orange juice. But you do not think we ought to extend the law to anything but orange juice. Yet you have not any special reason for suspecting anything wrong in the case of orange juice, have you?

Mr. CALDWELL. No, sir. I think the criteria on bringing commodities under the act is whether the futures market has become an important market or not. There are a number of futures markets now where the trading is so small that it does not have any real impact upon the producers of the particular commodities. This is not the case with orange juice. It has become a major market and it is being used by the producers and processors of orange juice. It, therefore, in my opinion, should be given the protection that the Commodity Exchange Act affords other commodities such as the—

The CHAIRMAN. The basis for bringing the new commodity under control would be, if I understand it, the volume of business that is done in that commodity; is that right?

Mr. CALDWELL. The volume of business that is done and the effect that this has on producers and merchandisers of the product.

The CHAIRMAN. What effect has this had upon the producers merchandising the product?

Mr. CALDWELL. Here again I have to draw on someone else's material since we have not made any study of the market ourselves. The Florida Citrus Commission has found that producers and processors of orange juice are making extensive use of the market for hedging purposes. If this is true, then I think those producers should be protected from the standpoint of their trades in the market, and the funds that they put up with brokerage firms. I also think the Florida citrus industry itself should be protected from price manipulation.

The CHAIRMAN. Is there anything wrong with the producers and marketers using the market to hedge?

Mr. CALDWELL. No, sir; I am all in favor of that. I think the hedgers should be protected as well as speculators. Let us not rule out the speculators. They ought to be protected, too. The primary purpose of the market is to provide hedging facilities. This one is providing hedging facilities and it is my feeling that the hedgers should have the protection of the Commodity Exchange Act.

Mr. JONES of Missouri. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. JONES of Missouri. When I hear about orange concentrate I get a little suspicious. My memory goes back a few years ago to a Commodity Credit operation. I always resented the fact that it seems like the people in the citrus industry don't want to have any controls, but when they get in trouble they always want to get some money.

As I recall, Commodity Credit bought up all the surplus frozen orange juice, and then we had a freeze down in Florida. The Department instead of taking advantage of getting the profit that the Government was entitled to, sold this stuff back to the people for what they had put into it and let a bunch of speculators down there get the advantage when the prices tripled.

Do you have any comment to make on what happened at this time? Would this bill have any effect on that in any way whatsoever?

Mr. CALDWELL. I am not familiar with that situation since it is handled by another agency of the Department. This particular bill would not have an effect on the situation that you have outlined there. This bill would cover regulation of the futures market.

Mr. JONES of Missouri. You mentioned particularly, you said you wanted speculators to be protected along with the producers. I am very sympathetic to the producer being protected on our markets and I am getting a little tired of the people who are speculating, making more money out of the agricultural commodities than the farmer who takes all the risks and puts all the money into it and then the speculator gets the advantage of it.

If there is any way that I can be helpful in trying to help the producer and to exclude this speculator—I don't have any sympathy for him at all since he is a gambler, and if he wants to go out and shoot crap that is all right. But I don't want him to take advantage of the producer there. That is the thing that any bill like this that comes up, I want to see if there is anything under the chips that I can't see.

Mr. CALDWELL. When I made reference to protection of speculators as well as hedgers, I had reference to such things as protecting them from cheating and defrauding in connection with the execution of their orders, protecting the funds that they may deposit with brokerage firms, and so forth.

Speculators are necessary in any futures market because hedgers do not offset each other. Hedgers are basically short. You need speculators to take the opposite sides of these transactions. As far as speculation is concerned, the bill would give the Commodity Exchange Commission the authority to set speculative limits on the amount of trading that can be done or the amount of positions that can be held by an individual speculator. This would have the effect of curbing the big speculators in the market.

Mr. JONES of Missouri. The thing about it, you said you are in a different department. Back in those days when we had this problem, what happened when the Government permitted these people to take their orange juice out that they had put in there to get protected, then the price immediately went up three times, as I recall it, what the price had been. The producer did not get any benefit from that at all. The speculators were the ones who got the advantage of that. I think that the Secretary of Agriculture put himself in a questionable position. I think he was naive. I do not think he was dishonest. He let them put it over on him. The Government should have made the money because they were the ones protecting the producer at that time.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. TEAGUE. Thank you, Mr. Chairman.

All of your testimony referred to Florida concentrates. As you know, there are a few oranges grown in California, Arizona, and Texas. I know there is a future there but is there a futures market for California oranges?

Mr. CALDWELL. There is no futures market for California orange juice at the present time.

Mr. TEAGUE. Should one be developed in the future, this legislation would cover it?

Mr. CALDWELL. So long as the trading is in concentrated frozen juice.

Mr. TEAGUE. Thank you.

The CHAIRMAN. Mr. Kleppe.

Mr. KLEPPE. Mr. Chairman, I think that speculators—I don't call them gamblers—I think they are investors of a sort. This plays a real part in our system of doing business in this country. I think they have a great deal of merit in stabilizing and establishing prices for commodities and that the effected producers get protection from these markets is worthy.

I wanted to comment specifically on your line of questioning. It seems to me that this is necessary. This bill is necessary from the mere standpoint of the fact that never in my knowledge has any market exchange been established originally but that there were some manipulators, some bucket shop operators.

It seems to me that is the protection that this bill would provide in this particular commodity because it is not already covered. This is no problem for anybody that I can see, but rather would effectuate an opportunity to bring about some controls for the speculator, for the investor, but most of all for the producer.

I think this is something that fits in our system of business. To me it makes a great deal of sense. This is the only thing that I could say along the lines of your questioning that I believe were covered along the lines of manipulators.

The CHAIRMAN. If the gentleman will yield.

Mr. KLEPPE. Glad to.

The CHAIRMAN. I just have not yet understood up to right now the reason of the representatives of the Department in opposing the idea of bringing other commodities under their control automatically when it is placed on the board. I get the feeling, without any knowledge at all of the matter, it is a new commodity and therefore the thing you foresee is likely to happen. I agree it is likely to happen.

They say we must bring frozen orange juice under control, but we should not bring other commodities under control as they are put on the board. I have not been able to reconcile the two viewpoints.

Mr. KLEPPE. I think, Mr. Chairman, you rather hit it when you talked about volume and activity.

The CHAIRMAN. It may be that it should be dependent upon volume.

Mr. KLEPPE. I am not sure the Department recognizes this, but it seems to me this makes a great deal of difference in making a decision as to whether a commodity should be under the Commodity Exchange Act or not.

The CHAIRMAN. Are there other questions?

Mr. GATHINGS. I would like to ask Mr. Caldwell whether or not there has been a great volume of trading in other types of frozen juice. What about grapefruit? You mentioned citrus juices but you specified here frozen orange juice. What about apricot, some other types, cranberry frozen juice? Do you have any information on that?

Mr. CALDWELL. Thus far, the only futures market that has been established in frozen juice is this market in concentrated orange juice.

Mr. GATHINGS. I happen to go to the grocery store every Saturday and I buy frozen concentrated juice of all kinds. Orange juice is one of them I buy. What about some of these other juices—pineapple?

Mr. CALDWELL. The Commodities Exchange Act is supposed to regulate futures trading in various commodities.

Mr. GATHINGS. That is because there is no futures trading in others?

Mr. CALDWELL. That is right.

Mr. GATHINGS. You referred to 1966 and 1967, and there was not any trading whatever before 1966 apparently, from your testimony; is that right?

Mr. CALDWELL. That is right.

Mr. GATHINGS. It has doubled in 1968 over what transpired in 1967. Only a very few months in 1968 have gone by, yet it is double what it was in 1967?

Mr. CALDWELL. That is right.

Mr. GATHINGS. In volume?

Mr. CALDWELL. It could be that a futures market might develop in certain of these other juices. If that were to happen, and if the volume developed to an extent where this has a real impact upon the producers and merchandisers of this product, then I would favor bringing it under the Commodity Exchange Act just as I now favor bringing orange juice under it.

The CHAIRMAN. That is the very crux of the question raised by Mr. Lynn's suggestion. He recognizes they may go to trading in some of these other commodities. Maybe they will trade in juices not frozen; for instance, cranberry juice.

I have never seen it frozen, but I buy it too, simply in the bottles, not frozen. Suppose they go to trading in these commodities that are not frozen. They would not be covered by this act?

Mr. CALDWELL. That is right.

The CHAIRMAN. Why, as Mr. Lynn suggests—and I do not want to keep quoting him but he seemed to raise a very logical question in my mind when he suggested, why do you not make it applicable to these other commodities if and when they too come on the board? Maybe you would want to put some limitation on the amount, maybe you would not want to bother with an infinitesimal amount. Maybe you would want to say when they reached a certain level of trading, you would have the right to deal with them. But it seems to me to make good sense what he suggests, and I have not heard anybody suggest any reason why we should not.

Mr. TEAGUE. I have one, Mr. Chairman. I have not seen Mr. Lynn's letter, but we are from time to time complaining about turning things over to the Executive and want to keep our fingers on legislation and policies ourselves. That is the answer that occurs to me.

The CHAIRMAN. It may be.

Mr. CALDWELL. I am certainly not opposed to Mr. Lynn's suggestion. Please understand that, Mr. Chairman, but it was my feeling that Congress should handle the designation of commodities. If Congress wants to turn over to the Secretary of Agriculture this authority, I certainly would not be opposed to it.

The CHAIRMAN. Are there other questions? Does anyone else want to ask Mr. Caldwell any questions?

Mr. Dow. Mr. Caldwell, you mentioned here the volume of trading of \$400 million in frozen orange juice. I suppose that this is an annual figure; is that right?

Mr. CALDWELL. That would be the figure for the 5 months of this year.

Mr. DOW. Five months?

Mr. CALDWELL. Yes, sir.

Mr. DOW. So in any year you would have about a billion dollars of trading.

Mr. CALDWELL. Close to it.

Mr. DOW. How would that compare with the volume of trading in some other commodities that are now regulated under this act; for example, onions? What is the volume of trading in onions?

Mr. CALDWELL. There is no trading in onions. Several years ago Congress prohibited all futures trading in onions. The total volume of trading in all regulated commodities runs about \$75 billion a year.

Mr. DOW. Would this frozen orange juice be the smallest one of the commodities that are subject to the control or subject to the Commodity Exchange Act, or would this be larger than the smallest?

Mr. CALDWELL. It would by no means be the smallest. It would be somewhere in the middle range.

Mr. DOW. Somewhere in the middle?

Mr. CALDWELL. Yes.

Mr. DOW. So you have some commodities with less volume that are under the umbrella of this Commodity Exchange Act?

Mr. CALDWELL. Yes.

Mr. DOW. Thank you, Mr. Caldwell.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. I understand from Mr. Dow's questioning that you have some volume. Are we speaking of volumes of contracts or are we speaking of volumes of dollars?

You have \$140 million as the volume of dollars and you have something over 23,000 as the volume of contracts.

Mr. CALDWELL. The volume of contracts would be the actual number of contracts traded. To get the value of the contracts you would merely have to multiply that by the contract unit of 15,000 pounds and then by the average price.

Mr. MILLER. The volume then is on the volume of contracts. You are more interested in the volume of contracts than you are in the volume of concentrated juice sold; is that correct?

Mr. CALDWELL. We are speaking here of the volume of contracts traded on the futures market. This does not relate to the number of contracts equivalent sold in the cash market.

Mr. MILLER. Thank you.

The CHAIRMAN. Are there any further questions? If there are no further questions, Mr. Caldwell, we are glad to have had you with us. Thank you.

Mr. CALDWELL. Thank you, Mr. Chairman.

The CHAIRMAN. Is there anyone else who wants to be heard on this bill, either for or against it? Apparently there is none. If not, the committee will take the bill under advisement.

I believe that completes consideration of our public calendar and the committee will go into executive session.

(Whereupon, at 11:10 a.m., the committee proceeded to executive session.)

17

STATEMENT OF WILLIAM WILLIAMS, DEPUTY ADMINISTRATOR FOR
WATERSHEDS SOIL CONSERVATION SERVICE, ACCOMPANIED BY
GERALD E. RYERSON, DIRECTOR OF ADMINISTRATIVE SERVICES,
SOIL CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

AMEND THE WATERSHED PROTECTION AND FLOOD PREVENTION ACT

WEDNESDAY, JUNE 5, 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, Abbitt, Jones of Missouri, Stubblefield, Purcell, de la Garza, Jones of North Carolina, Dow, Teague, Hansen, Wampler, Miller, Burke, Mathias, Zwach, Kleppe, and Price.

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

The CHAIRMAN. The committee will please be in order.

This morning the full committee has under consideration S. 2276, an act to amend the Watershed Protection and Flood Prevention Act to permit the Secretary of Agriculture to contract for the construction of works of improvement upon request of local organizations."

(The act follows:)

[S. 2276, 90th Cong., second sess.]

AN ACT To amend the Watershed Protection and Flood Prevention Act to permit the Secretary of Agriculture to contract for the construction of works of improvement upon request of local organizations

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5(2) of the Watershed Protection and Flood Prevention Act is amended to read as follows:

"(2) Except as to the installation of works of improvement on Federal lands, the Secretary shall not construct or enter into any contract for the construction of any structure: *Provided*, That, if requested to do so by the local organization, the Secretary may enter into contracts for the construction of structures."

Passed the Senate May 20, 1968.

Attest:

FRANCIS R. VALEO, *Secretary.*

The CHAIRMAN. I understand that Mr. Williams is here to testify and I suppose it will be appropriate to start with the Department.

Mr. Williams, would you like to make a statement? We are always pleased to have you with us.

STATEMENT OF HOLLIS WILLIAMS, DEPUTY ADMINISTRATOR FOR WATERSHEDS, SOIL CONSERVATION SERVICE; ACCOMPANIED BY GERALD E. RYERSON, DIRECTOR OF ADMINISTRATIVE SERVICES, SOIL CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. WILLIAMS. Mr. Chairman and members of the committee, I appreciate the opportunity to testify in support of S. 2276, a bill to amend the Watershed Protection and Flood Prevention Act, Public Law 566, as amended, to permit the Secretary of Agriculture to contract for the construction of works of improvement upon request of local watershed project sponsors.

I would like to emphasize the part "upon request of local watershed project sponsors."

Presently all contracting is carried out by the watershed sponsors. This responsibility was delegated to the local people to insure greater local participation and greater interest in the program. We heartily concur in these objectives. And we support this bill because it still provides for this procedure if the local sponsors so desire.

Nevertheless, our experiences have brought to light many difficulties and situations which indicate the desirability of having the Secretary of Agriculture contract for construction—I might add, in certain instances.

Many groups sponsoring watershed projects under Public Law 566 have had no experience in letting and administering construction contracts. It is difficult and frequently impossible for them to find an individual willing and able to act as contracting officer. This activity becomes a hardship on the sponsor and an added expense where only one or two small contracts may be involved. This also puts an extra burden on the Soil Conservation Service to train the local contracting officers and to provide step-by-step assistance in the preparation of invitations to bid, reviewing and analyzing the bids, and awarding and administering contracts involving all dealing with the contractor. This creates an awkward, slow and cumbersome process that is often dissatisfying to all parties including the sponsors, the contractor, and the SCS.

Also under some local contract procedures, many reputable and competent contractors are either excluded from bidding or cannot bid on an equal basis due to State and local regulations that give preferential treatment to local contractors or to contractors on an acceptable or preferred list. Free and unrestricted competition is not possible in these instances, and higher construction costs may result.

When Federal cost sharing is involved in a project, we are required to assure ourselves that the prescribed equal employment opportunity clauses are included in the contracts. Several States have equally mandatory requirements, some of which conflict with Federal requirements. Reconciliation is often difficult, costly, and time consuming.

Also under local procedures, disputes that cannot be settled by direct negotiation must be resolved by the local courts. Even though local sponsors may have agreed to provide legal services, they are often unable to because of the costs involved—especially when funds being protected are entirely Federal.

In some States such as Oklahoma, Mississippi, and Texas we have been able to compare the merits of the two systems of contracting since SCS handles the contracts for flood prevention projects carried out under the Flood Control Act of 1944 and local sponsors handled those under Public Law 566. We have found that the direct contracts by SCS are simpler, and less costly. At the same time, the enthusiasm of the local people in participating and carrying out the projects remains high.

In summary, this bill, if enacted, would (1) provide for better efficiency and timeliness in carrying out watershed projects, (2) remove an undesired burden from those local sponsors who do not have the capability of administering construction contracts, (3) result in a reduction in local cost of contract administration and Federal assistance cost, and would in no way prevent local watershed project sponsors from carrying out contracting responsibilities if they wish to do so. In fact, it would be necessary for the local groups to submit a request for Federal assistance before the contracting authority could be transferred to SCS.

I thank you for this opportunity to appear before this committee and will be pleased to answer any questions you may have.

The CHAIRMAN. We thank you, Mr. Williams. We are always glad to have you here. It seems to me that you make a rather sound argument.

Are there questions?

Mr. TEAGUE. Just one.

This sounds perfectly sensible to me, but did we not have this before us once before?

The CHAIRMAN. We did at the time we passed the bill. I do not remember if we had any legislation to try to change it since the passage of the bill, have we?

Mr. WILLIAMS. Off the record.

(Discussion off the record.)

Mr. TEAGUE. No further questions.

Mr. GATHINGS. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. GATHINGS. At this time, from your statement I believe that I detected the local groups that sponsor watershed programs have been dealing with local contractors largely. Under this bill there would be more flexibility so that you could go out and get contractors maybe a few miles distant. Is that one of the objectives?

Mr. WILLIAMS. Congressman Gathings, if I may draw on some personal experience, first I would like to repeat that the concept and philosophy in the original legislation which we partly endorse was to place as much responsibility on local people in all phases of this as possible, including local sponsors doing all of the contracting, issuing invitations for bids making the evaluations and in all dealings with the contractor.

To protect the Federal investment it is necessary for the Soil Conservation Service to have inspectors on the job as technicians and we provide the service for the contracting officer. Where the local sponsor has the capability, an engineering staff, legal advice, or people experienced in contracting, we like for that to carry forward.

Let me draw the hardship case for you. You take a local soil conservation district that has a farmer-rancher board of five men and they are the sponsor on a small project. That is probably the only project that they will ever have. When you ask those people to provide the contracting service, they have to engage a local banker or local attorney or someone competent, sometimes a county judge. Honestly, with no reflection even on the local attorney, they have had limited, if any, experience in Government contracting or in contracting which has to subscribe to the guidelines and criteria applicable when Federal cost sharing is involved.

As a result, the local board will say to the Soil Conservation Service, "You have to assist us in this."

As a former State conservationist, I can give you my word that I have gone at night to the local office of the vocational agricultural teacher and have taken the mimeograph machine, hand operated, and have run off those invitations for bids as a special assistance to them, and sat there and helped them to make the decision after bids are opened and abstracts are made to determine the low bid and the competence of the low bidder, et cetera.

The Soil Conservation Service, in those cases, has to spend more time and more effort in assisting the sponsors than it would take to do the contracting ourselves. That is the situation. Yet we are eager to preserve this concept of the local sponsor assuming all the responsibility that he is willing and able to carry out.

Mr. GATHINGS. Under this legislation here they would have to request the SCS to come in and contract?

Mr. WILLIAMS. That is the key, unless they said, "Our circumstances are such that we believe in this case we would like for the Government to do it," the sponsors would do the contracting. We would do it only on their request.

Mr. GATHINGS. That is all.

The CHAIRMAN. Are there any other questions of Mr. Williams?

Mr. STUBBLEFIELD. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. STUBBLEFIELD. Mr. Williams, we have situations where the watershed is approved and after the watershed is approved they have difficulty in getting the contractors to carry out or make the installations. Some cases go on 2 or 4 years with people paying these taxes and getting no benefit. Would this relieve that to some extent; that is, where you have 17 or 18 small dams and they have gone 3 or 4 years, completing 5 or 6 of them and the other sections are still paying the watershed tax and getting no benefit out of it?

That is what concerns me. I hear about it every time I go home. Will it enable them to bring in outside contractors to get this job done rather than depend entirely on the local people?

Mr. WILLIAMS. I would have to talk to that point in this way: I think that I was as surprised as a former contracting officer in Federal contracting when I learned that there was some State enabling legislation that actually prohibited a political subdivision of State government from issuing invitations for bids outside the State.

We have had instances because of this prohibition where a competent contractor just over the State line submitted the low bid but the award was made to a higher bidder because of this State enabling

legislation. This might be one of the instances where the local sponsor would say, "We would like for the Soil Conservation Service to handle the contracting." Under Federal contracting we could issue invitations to invite competitive bids from anywhere.

I would say if you had difficulty in locating competent contractors locally, this act would be helpful.

Mr. GATHINGS. It would not completely do away with the local contracting officer as we know him now?

Mr. WILLIAMS. It would only remove the local contracting officer whenever that local sponsor decided in advance that they wanted to ask the Soil Conservation Service to do the contracting for them.

Mr. GATHINGS. This applies maybe to one project, or two, or would the contracting officer be eliminated permanently?

Mr. WILLIAMS. The contracting would be limited to each request. If they wanted to handle the next contract, then that would be their privilege.

Mr. GATHINGS. Thank you.

That is all.

The CHAIRMAN. Mr. Zwach.

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. Williams, if the sponsoring group decides that they want the help of the Secretary, and this is at their discretion, then the Secretary from there on advertises for bids, opens the bids, decides on the conditions of the contract, and awards the contract without any cooperation from the local group, would that be correct, if it is the desire of the local group?

Mr. WILLIAMS. Strictly speaking, that is correct. I would add that there is always consultation and cooperation between the sponsoring organizations and SCS in any joint undertaking. In other words, we would enjoy a representative of the sponsor to be present at the day of the formal opening of bids.

Mr. ZWACH. It would in a sense be a cooperative effort?

Mr. WILLIAMS. They would be consulted in that someone locally would help us in passing judgment on the capability of bidders. Sometimes you can get a real low bid and it shocks the conscience of the contracting officer in relation to the other bids as to whether this man is competent. You have to make a pretty careful study and evaluation as to the competence of an unusually low bidder for fear he has underbid and then can't perform.

Mr. ZWACH. Does this legislation in any way affect the application of the various Federal labor laws?

Mr. WILLIAMS. No, sir. Under Federal contracting Federal labor laws apply. Under local contracting State labor laws apply.

Mr. ZWACH. They already are in full application and in this respect there is no change?

Mr. WILLIAMS. That is right.

Mr. ZWACH. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Zwach.

Any other questions? (No response.)

If not, Mr. Williams, we are very much obliged to you and appreciate your attendance.

Mr. MILLER. Mr. Chairman, if I may before he leaves?

The CHAIRMAN. Yes.

Mr. MILLER. We have information in the report, Mr. Williams, that it has no effect on the respective contributions of the United States and the local organizations to finance the project, except to the extent it will reduce administrative costs.

Does this mean that it is possible that the Government would be contracting for all of these in a few years because the local authorities would see here a possibility to save some funds?

Mr. WILLIAMS. I would hope not, Mr. Miller, for this reason: I think it is generally understood all of us connected with this movement prefer local sponsors to take on this undertaking where this is their desire. We would expect many sponsors to become equipped to do the contracting where the scope of their future work will justify this action. We would, even though it would be more expensive, prefer to help train the local authorities to do this contracting rather than to take it over ourselves in order to preserve the local project concept.

If it is a small project or if there are special circumstances the local sponsors may feel that buying the land easements and rights-of-way and assuming responsibility for the land treatment work will use all their readily available resources. They may feel it an unnecessary burden for them to have to go out and hire an attorney, or an engineer, to do the contracting.

It should be recognized that the Soil Conservation Service will be out the cost of training and assisting those people that the sponsors obtain because Government contracting, or contracting in line with guidelines where Federal funds are spent is a specialty within itself.

A lawyer dealing with the regular rule of contract or an engineer dealing in construction work has to be trained in this specialty. The Federal input and the local input is largely duplicated where sponsors are to be involved in only a few contracts.

If they anticipate a number of contracts, we think to preserve the local project concept, we ought to give the training and assistance needed for them to do the contracting.

Mr. MILLER. Thank you.

The CHAIRMAN. Does anybody else want to ask Mr. Williams any questions? I don't want to dismiss him and have him come back for several questions afterwards. Is there anybody here who wants to ask Mr. Williams any questions? If so, say it now.

(No response.)

The CHAIRMAN. If not, we are very much obliged and you are dismissed.

Mr. WILLIAMS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

Now I have a statement from Mr. Gordon K. Zimmerman of the National Association of Soil and Water Conservation Districts in favor of the bill. Without objection, it will be inserted in the record.

(The statement follows:)

THE NATIONAL ASSOCIATION OF SOIL
AND WATER CONSERVATION DISTRICTS,
Washington, D.C., May 31, 1968.

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

DEAR CONGRESSMAN POAGE: I understand the Committee on Agriculture will consider S. 2276, as amended, at a hearing on June 5, 1968. Because of a long-

scheduled meeting of our officers in St. Louis on that day, it will not be possible for a representative of the National Association of Soil and Water Conservation Districts to be present to testify on this proposed legislation. We would like to request, therefore, that this letter expressing our position be included in the hearing record.

We fully support the enactment of S. 2276, as amended. It would give Soil and Water Conservation Districts and other local sponsors of watershed projects the option of requesting the Soil Conservation Service to provide contracting services. The result, in such cases, would be greater efficiency and lowered costs.

At the convention of our Association held in February, 1967, at Cincinnati, Ohio, the NACD Council—representing 3,000 Conservation Districts and their 50 state associations—approved the following resolution:

“The National Association of Soil and Water Conservation Districts states its firm opinion that the absolute requirement of Public Law 566 for the local sponsoring organization to provide all services of contract administration results in serious inconvenience, delays, inefficiency, and waste of public resources. In some instances, compliance with this cumbersome requirement places undue burdens and legal risks upon organizations which are not equipped with trained personnel and financial resources to handle this work, and progress in the watershed construction program is impeded seriously.

“On the basis of this experience, the National Association of Soil and Water Conservation Districts goes on record as favoring the passage of an amendment to Public Law 566 which would allow the Soil Conservation Service to render directly all services—in preparation of invitations to bid and contract administration—at the option and request of the local sponsoring organization.”

In our opinion, S. 2276 would carry out the intent of this resolution. We urge its approval by the Committee on Agriculture and its passage by the Congress.

Cordially,

GORDON K. ZIMMERMAN, *Executive Secretary.*

The CHAIRMAN. The next witness will be Mr. John H. Walsh of Jackson, Miss., representing the Associated General Contractors of America.

Mr. Walsh, we will be glad to hear from you.

STATEMENT OF JOHN H. WALSH, JOHN H. WALSH & CO., JACKSON-MISS., ACCOMPANIED BY D. A. (DON) GIAMPAOLI, ASSOCIATED GENERAL CONTRACTORS OF AMERICA, WASHINGTON, D.C.

Mr. WALSH. Mr. Chairman, and members of the committee, my name is John H. Walsh. I am president of the John H. Walsh Co., a heavy-construction firm located in Jackson, Miss.

I appear before you in behalf of the Associated General Contractors of America, an association of more than 8,400 of the Nation's leading general construction contractors. Most Federal public works construction is performed by members of the Associated General Contractors.

I am accompanied by D. A. Giampaoli, director, heavy-utilities division of the Associated General Contractors, Washington, D.C., who works closely with the Soil Conservation Service.

As a national representative of AGC, I am currently the association's soil conservation service liaison committee chairman, a position held for the last 4 years. This committee meets annually with the SCS to develop a realistic and workable approach to common problems in conservation construction contracting. We feel that this committee's deliberations have contributed to the improvement of contractual relations. For example, after the last meeting of the SCS—

AGC liaison committee then Acting SCS Administrator Kenneth E. Grant said in a March 18, 1968, letter to the national AGC office:

We are most pleased to participate with you in these discussions of topics of general interest. We feel that much good and much better understanding of our mutual problems has developed from these meetings. We are particularly pleased that similar liaison committees with our State offices have been established with many of your chapters. We hope that eventually such a relationship can be developed throughout the country. You can be assured of our continued interest and cooperation in this matter. We feel that contractors are a vital and necessary part of the conservation team and that it is fitting and proper for us to continue to work on our mutual problems on the basis which has been established through the good efforts of the joint committee.

GENERAL STATEMENT

We appreciate this opportunity to testify in favor of S. 2276, amending Public Law 566, the Watershed Protection and Flood Prevention Act. The objective of this testimony is to indicate the need for congressional passage of S. 2276 which will allow the Soil Conservation Service to perform directly all contract administration services including preparation of bid invitations at the option and request of local sponsoring organizations. The policy to favor an amendment to the Watershed Protection and Flood Prevention Act, as S. 2276 provides, was approved by motion during our legislative committee meeting at the AGC Annual Convention in March 1967. This action was subsequently ratified by the association's board of directors.

This legislation would not take authority or control from local organizations, which it should not, but would permit them to request this contract administration service as needed. Since this amendment is voluntary, it would not affect those State and local organizations that have adequate and qualified staffs to administer Public Law 566 contracts.

RESOLUTION BY THE NATIONAL ASSOCIATION OF SOIL AND WATER CONSERVATION DISTRICTS

The National Association of Soil and Water Conservation Districts passed the following resolution during its 21st annual convention in February 1967, which favors this amending legislation:

RESOLUTION No. 16

WATERSHED CONTRACTING

The National Association of Soil and Water Conservation Districts states its firm opinion that the absolute requirement of P. L. 566 for the local sponsoring organization to provide all services of contract administration results in serious inconvenience, delays, inefficiency, and wastes of public resources. In some instances, compliance with this cumbersome requirement places undue burden and legal risks upon organizations which are not equipped with trained personnel and financial resources to handle this work, and progress in the watershed construction program is impeded seriously. On the basis of this experience, the National Association of Soil and Water Conservation Districts goes on record as favoring the passage of an amendment to P.L. 566 which would allow the Soil Conservation Service to render directly all services—in preparation of invitations to bid and contract administration—at the option and requests of the local sponsoring organization.

EFFICIENT CONTRACT ADMINISTRATION

Passage of S. 2276 would promote efficient contract administration. Many local authorities that administer Public Law 566 contracts are not adequately staffed to perform contract administration services efficiently since they are not equipped with trained personnel for this purpose. These conditions create costly delays and inequitable procedures. Should the Soil Conservation Service be allowed to administer this program on a voluntary basis, then the provisions of Standard Form 23-A, General Provisions of the Federal Construction Contract, would become operative. The disputes clause of Standard Form 23-A affords the contractor an opportunity to appeal a contracting officer's decision directly to the head of an agency through Boards of Contract Appeals. Appeals of this nature are not available under Public Law 566 contracts. The only resource now available is to a local court. Retainage of funds earned by a contractor are set forth in Standard Form 23-A in a stated percentage to be withheld and the conditions affecting retained amounts. Under Public Law 566 contracts, such retainage varies according to the laws and policies of the State where the work is performed. Some require retention of moneys for a considerable time after completion and acceptance of the work even when the contractor has furnished a performance and payment bond. Recent improvements to Standard Form 23-A allowing an equitable adjustment for unreasonable delays occasioned by contract modifications would also become operative under contract administration by the Soil Conservation Service.

CONCLUSION

Passage of S. 2276 will therefore advance the cause of conservation construction by improved contract administration, encouragement of increased open competitive bidding and less overhead expenses for the contractor, the local authority, and the Soil Conservation Service. The public will benefit by ultimate reductions in costs as more work will be performed for each dollar spent.

Thank you for the opportunity to present our views and to urge approval of this beneficial legislation.

The CHAIRMAN. Thank you, Mr. Walsh.

Are there questions of Mr. Walsh; anybody have any questions?

Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. Walsh, you represent the Association of General Contractors. I would assume that one of the reasons this has been in the main in local hands is that this program has always been wonderfully quite nonpolitical and we have proceeded on that basis.

Your group has no fear that this procedure would in any way endanger the program by opening it up if contracts can be let by the governmental agency this would open up the avenue of politics?

Mr. WALSH. No, sir.

Mr. ZWACH. In awarding contracts?

Mr. WALSH. No, sir.

Mr. ZWACH. You know in State levels we are familiar over the years with the skullduggery in this area. I would hate to see politics get into these contract lettings.

You are convinced as a contractor, representing contractors, that this will not be the case?

Mr. WALSH. I am. Yes, sir.

I can say that I know from my own State's conditions, and you know much more, better than I do the rest of the country, but in our State when they form a drainage district they are small, some of them.

Mr. ZWACH. It is a nonpartisan effort?

Mr. WALSH. Five landowners, farmers, ranchers form a committee and one of them is the chairman and he becomes the contracting officer.

As Mr. Williams testified, this may be the only contract they will ever handle in their lives. They never know anything about the administration of these.

Mr. ZWACH. I am aware of this. You are concerned and your group is satisfied that this will not open this avenue?

Mr. WALSH. Yes, sir. Right now the Soil Conservation Service has to do it all. That man is just a figurehead. He is a contractor to contract jobs that I have had, take the papers out in the country to get them signed, estimates, change orders, and then bring them back. If you mail them to them, they won't even mail them back to you. They are not interested in getting involved in the paper work.

We are satisfied, and I am sure the local people are, because they depend entirely on the Soil Conservation Service to do all of the detail work. Just over the river in Louisiana they have a well-established department of public works, the State has, that does all this type work. They will continue to handle everything because they have a well-established engineering staff that does this.

Mr. ZWACH. Your association is satisfied this will not develop?

Mr. WALSH. Yes, sir.

Mr. ZWACH. They are not afraid of that?

Mr. WALSH. Yes, sir.

Mr. ZWACH. Thank you.

The CHAIRMAN. Any other questions of Mr. Walsh?

Mr. MILLER. I notice one area where you speak of form 23-A and where it states:

Recent improvements to standard form 23-A allowing an equitable adjustment for unreasonable delays occasioned by contract modification would also become operative under contract administration by the Soil Conservation Service.

Can you tell us what we are talking about in the delays and how you would be helped by this form 23-A?

Mr. WALSH. Let Mr. Giampaoli speak to that. He has more experience with that, if you don't mind.

Mr. GIAMPAOLI. Congressman Miller, as of February 1 of this year there were new changes, different site conditions, and suspension of work clauses applied to the general provisions of the Federal construction contract. Prior to that time, a modification issued by the contracting officer under a Federal construction contract, the equitable adjustment involved that part of the work which was in fact changed by the change order. If that change order affected work which was not a part

of the actual change order and a delay was incurred, the equitable adjustment did not involve this. This was by a Supreme Court decision some years ago which evolved, became called the *Rice* doctrine. We called this equitable adjustment for the unreasonable delays occasioned by changes, impact costs, or consequential costs.

Now with the changes in that new version of these clauses, this is allowable.

Mr. MILLER. Is it possible for the local people to use the standard form 23-A as well as the Federal Government to use that same form?

Mr. GIAMPAOLI. I would hope that standard form 43, which would be used in Public Law 566 contracts, where the local authority is the contracting officer, would seek to incorporate these changes.

Mr. MILLER. Thank you.

The CHAIRMAN. Any further questions?

(No response.)

The CHAIRMAN. If there are no further questions, I want to dismiss this witness and say we are very much obliged to you, Mr. Walsh.

Mr. WALSH. Thank you.

The CHAIRMAN. That completes our list of witnesses.

Is there anyone else who wants to make a statement in connection with this legislation?

If not—

Mr. ZWACH. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ZWACH. So far we have had no requests for anybody to appear in opposition to this bill?

The CHAIRMAN. We have not.

If there is anybody who wants to appear in opposition, we will be glad to hear him.

Mr. STUBBLEFIELD. At this point?

The CHAIRMAN. Right now.

I don't hear anybody who wants to appear. Therefore, the committee will take this matter under advisement.

We are very much obliged to you gentlemen who attended.

(Whereupon, the committee proceeded to other business.)

of the report change order and a change in procedure, the committee adjustment did not involve this. The way in which the committee has some items and which are not, become subject to the committee. The called the committee adjustment for the responsible department. The stated by change, subject to consideration of the committee. Now with the changes in that new version of these changes, this is

allowable. Mr. Chairman, it is possible for the local people to use the standard form 27-A as well as the Federal Government to use that same form. Mr. Chairman, I would hope that standard form 27-A which would be used in Public Law 500 contracts, where the local authority is the contracting officer, would seek to incorporate these changes.

Mr. Chairman, thank you. The Chairman: Any further questions? (No response.)

The Chairman: If there are no further questions, I want to thank the witness and say we are very much obliged to you, Mr. Walsh.

Mr. Walsh, thank you. The Chairman: That completes our list of witnesses. Is there anyone else who wants to take a statement in connection with this legislation?

It now— Mr. Nelson, Mr. Chairman?

The Chairman: Yes.

Mr. Nelson: So far we have had no replies for anybody who was in opposition to the bill?

The Chairman: We have not. If there is anybody who wants to appear in opposition, we will be glad to hear him.

Mr. Chairman: At this point? The Chairman: Right now.

I don't hear anybody who wants to appear. Therefore, the committee will take this matter under advisement.

We are very much obliged to you gentlemen who attended. Whereupon, the committee proceeded to other business.

PROVIDE INDEMNITY PAYMENTS TO DAIRY FARMERS

MONDAY, JULY 1, 1968

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

The committee met, pursuant to notice, at 10:45 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Stubblefield, O'Neal, Jones of North Carolina, Wampler, Goodling, and Kleppe.

Also present: Martha Hannah, subcommittee 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 have next for consideration H.R. 17995 and a related bill, H.R. 17752, with reference to indemnity payments to dairy farmers.

(H.R. 17752, introduced by Mr. White and Mr. Pryor, is identical to H.R. 17995, introduced by Mr. Hansen, the text of which follows:)

[H.R. 17995, 90th Cong., second sess.]

A BILL To provide indemnity payments to dairy farmers

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture is authorized to make indemnity payments, at a fair market value, to dairy farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government at the time of such use. Such indemnity payments shall continue to each dairy farmer until he has been reinstated and is again allowed to dispose of his milk on commercial markets.

SEC. 2. There is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

SEC. 3. The authority granted under this Act shall expire on June 30, 1969.

The CHAIRMAN. We have Congressman Pryor with us, and we also have Congressman White on these measures.

Mr. Adams is here from the Department.

Mr. Pryor, we will be glad to hear from you at this time.

STATEMENT OF HON. DAVID PRYOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. PRYOR. Mr. Chairman and members of the committee.

Actually, I would be glad to testify first, but I think that inasmuch as Mr. White actually originated this bill, that it might be better if he testified first.

The CHAIRMAN. You may proceed.

Mr. PRYOR. I certainly appreciate the opportunity of coming here on behalf and in support of H.R. 17752, which I would call the milk indemnity bill. I think all of the members of the committee are very familiar with this particular type of legislation. We feel it is legislation that is urgently needed. We think that we should now take cognizance of the fact that this is not "new" legislation but is merely a continuation of the program which has been in effect for several years, and I feel that if we do not act now, and with some degree of speed, that we might find some dairy farmers all over the country who would be caught short in the event that their dairy cows became contaminated with insecticides and pesticides.

We think this is a piece of legislation which is very urgent, and I would urge your consideration of it.

Mr. Chairman and gentlemen of the committee, I have a short statement that I would like to file in behalf of H.R. 17752.

The CHAIRMAN. Without objection, it will be included in the record at this point.

(The prepared statement submitted by Mr. Pryor reads in full as follows:)

STATEMENT OF HON. DAVID PRYOR, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF ARKANSAS

Mr. Chairman and members of the committee, this bill under consideration is not a proposal for new legislation but would merely continue a program which has been in effect for a number of years. The number of instances where the provisions for milk indemnity payments have been applied have not been numerous, however, for the dairymen who have been involved in its use it has been of extreme importance.

The use of insecticides, pesticides, and herbicides, has added greatly to the productivity of American agriculture and are vitally important to certain crops. With their wide-spread use it was inevitable that dairy cattle concentrates and roughages would be contaminated by some of these materials and would be reflected in tests of the milk. Just recently, among some of our dairy farmers in Arkansas, Food and Drug Administration officials found milk from a small number of farms to be contaminated above their tolerance levels and it was necessary that these farmers dump their milk at the farm. Authorities still have been unable in many cases, to track down the source of the contamination, but in no case had the farmer made use of the contaminate on his own farm.

It is known that once a build-up of any of these materials occurs it may take an extended period of time, up to six months or longer, before it will be eliminated from the body of a dairy cow. Under Food and Drug regulations a dairyman may be compelled to pour out his milk for such a time that he could and would suffer financial ruin. This can occur while this dairyman is following explicitly the recommendations of the Federal Government and U.S. Public Health Service for production of milk.

While we are protecting the health and welfare of the citizens of our country, I believe that we must also protect the economic welfare of dairy farmers who can well be forced into bankruptcy through no carelessness or ill-advised action on their own part. This bill, which would continue to compensate dairy farmers for milk which is condemned by the Federal authorities where the presence of insecticides, pesticides and herbicides is detected, is of utmost importance to dairymen and should be approved by this Committee.

The CHAIRMAN. We are very much obliged to you for your statement.

Mr. Teague?

Mr. TEAGUE of California. Is this bill identical with the Hansen bill?

Mr. PRYOR. Yes, sir, it is identical to Mr. Hansen's bill.

Mr. TEAGUE of California. I do not have the other one before me. That is the reason I asked.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. Mr. Pryor, I just wondered if you find in your district any need for this type of legislation?

Mr. PRYOR. I would say to the gentleman from Arkansas that we do find a definite need. Recently, we found in certain sections of southwest Arkansas situations wherein some dairy farmers were forced to pour out milk because of certain contaminating chemicals, and all of these farmers were acting under the direction and supervision of the Federal Health Service and the Department of Agriculture.

We are not certain at this time whether or not the farmers using the insecticides, et cetera, where contaminating their own dairy cattle, their own dairy products, or not, but this is a question, I think, which has not been resolved.

We have found, resulting from the cold and hard facts, that unless these farmers are indemnified for the milk that they have been forced to pour out, that these farmers, especially several small dairy farmers, cannot withstand such a loss, might go bankrupt.

Therefore, we feel that although we must protect the public health—and we are all in agreement on that; we are all cognizant of that—in addition Mr. Gathings, that we must give some protection to the small dairy farmer who had been forced because of some reason to pour out his milk, because it had been contaminated, according to the Public Health Service findings.

To answer your question directly, there have been some instances in Arkansas, and I understand also in other States, where this bill would certainly be of great assistance.

Mr. GATHINGS. How much of this would be involved over the Nation—how many?

Mr. PRYOR. I do not know specifically what States would be involved; I do not know any State offhand, other than Arkansas. I suppose other sponsors of the bill might mention other States that would be affected.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Goodling?

Mr. GOODLING. Do you know whether your farmers who have had this trouble used insecticides as recommended by the manufacturers?

Mr. PRYOR. I do not know the answer to that question. I can only assume that these insecticides and pesticides have been recommended by the Public Health Service and, I am assuming, by the Department of Agriculture—that these affected farmers have been given approval to use these particular insecticides and pesticides. Whether they have been recommended for a particular region or a particular situation by the manufacturers of certain of these chemicals, I do not know the answer to that question.

Mr. GOODLING. Some believe that if the table says use one pound that by using two pounds the results would be twice as good.

Mr. PRYOR. Right.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Mr. Pryor, can you tell us why this legislation is specifically for 1 year?

Mr. PRYOR. I do know this, Mr. Kleppe: It is my understanding that the legislation is expiring at that time.

Mr. KLEPPE. And this extends it for another year?

Mr. PRYOR. That is correct. It extends it for 1 year.

Mr. KLEPPE. Maybe this is not a fair question to ask you. If so, please so state.

I wonder if it is the thinking of the sponsors that this problem may be alleviated and eliminated within the period of a year?

Mr. PRYOR. Mr. Kleppe, it is our understanding that there is a great amount of research going into this particular problem right now, trying to come up with some resolving factor which we all might come up with in a short time, but I think the other sponsors of this legislation join with me in hoping that it can possibly be resolved within 1 year. If it is, it certainly would be my hope and I assume other sponsors' hope, and that of the committee, that this type of legislation would not have to be a "continuing" sort of legislation.

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

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. I have a question. I do not know whether it is proper to address it to Mr. Pryor.

I have supported this legislation for a continuation of the program. I do not know how many times that has been since I have been here.

Does this legislation provide for indemnity where the dairy farmer is the guilty party himself?

Mr. PRYOR. Is that question directed to me?

Mr. O'NEAL. Yes, sir.

Mr. PRYOR. I do not know, specifically, the answer to the question. I think—

The CHAIRMAN. May I answer a question?

The bill provides that there shall be an indemnity paid where the milk was removed from the market because it contained residues of chemicals registered and approved by the Federal Government.

Mr. O'NEAL. It does not say who might have put it out.

The CHAIRMAN. It says the chemical had to be approved by the Federal Government.

If you use some of these chemicals for flies and for many of the other uses that you use chemicals for, that have been approved by the Federal Government, and then the milk is condemned because you did, this would allow the Federal Government to indemnify you for the loss.

Mr. O'NEAL. If someone many miles away did use an unregistered chemical, would the dairyman be indemnified?

The CHAIRMAN. This does not, as I see it, give him that indemnity, no, sir.

Are there any further questions of Mr. Pryor?

If not, thank you very much, Mr. Pryor.

Mr. PRYOR. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. White is with us.

We will be glad to hear from you, Mr. White.

We are always happy to have you with us.

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

Mr. WHITE. Thank you, Mr. Chairman and members of the committee for giving me the opportunity to present my testimony before the committee.

My bill provides for the extension of expiring authority for the Secretary of Agriculture to make indemnity payments, at a fair market value, to dairy farmers who have been directed, since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals, registered and approved for use by the Federal Government at the time of such use.

In my area, this problem arises chiefly from the use of DDT and other insecticide sprays on cotton crops. It is often carried by the wind to nearby pasturelands for dairy cattle and may remain as a contaminant of milk for a long time. There have been many cases where milk from cows grazed in such pasturelands may pass the high standards of State health departments and still be ineligible for interstate shipment.

Obviously, there is much more work to be done in this regard, and I understand you will hear from the Agriculture Department some expert testimony on the work of the Agricultural Research Service. Until new chemicals, or new means of application are developed, or new standards of acceptance of milk for interstate shipment are approved, dairy farmers of my area will continue to suffer serious losses in this regard. H.R. 17752, introduced by myself and my colleague, the gentleman from Arkansas, Mr. Pryor, is intended to protect the dairy farmer while the scientists of the Department of Agriculture provide a workable solution.

It is my hope that the testimony of the Department in connection with this bill will show that a solution is near, and that the legislation will no longer be necessary after the expiration date of the authority in our bill, June 30, 1969.

Clearly, the solution is not simply to forbid use of certain insecticides, without providing others that are equally effective. By such action, we would merely be switching damages from dairy cattle to cotton crops. American agriculture has made giant strides in research in recent years, and I believe, if we can buy ourselves a little more time through this legislation, that we shall solve the problem to everyone's satisfaction. Thank you.

May I further comment that when dairy farmers buy their feed from other sources, they do not know from whence the feed comes, nor from what soil it is grown. They can't know if it has a residual quality that may have existed ten years ago. The insecticide or pesticide may have been used ten years ago and remained in the soil, evidencing itself in the feed later being used. Sometimes in these crops, such as alfalfa, no one is aware that this danger will arise and contaminate the milk when used by the dairy farmer.

Thank you, again, very much.

The CHAIRMAN. Thank you, Mr. White.

Are there any questions of Mr. White?

Mr. Jones?

Mr. JONES of North Carolina. Do you know how much it was last year?

Mr. WHITE. I do not have the figures presently, as to how much it was last year, but I think it is diminishing, because I think the farmers who are supplying the feed presently are being more cautious and being more careful. It is becoming more rare in the cotton lands where it has been used in the past. I have been given a note that \$500,000 was appropriated for fiscal year 1968 and two hundred approximately was used.

Mr. JONES of North Carolina. Thank you.

Are there any further questions of Mr. White?

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

Mr. WHITE. Thank you, Mr. Chairman.

The CHAIRMAN. Now, we have the Department represented here by Mr. Adams, who is accompanied by Mr. Cook.

We will be glad to hear from the Department now.

STATEMENT OF KEISTER N. ADAMS, DEPUTY DIRECTOR, LIVESTOCK AND DAIRY POLICY STAFF, ASCS, ACCOMPANIED BY ROBERT M. COOK, PROGRAM SPECIALIST, FARMER PROGRAMS DIVISION, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. ADAMS. Mr. Chairman, my name is Keister N. Adams, and I am deputy director of the Livestock and Dairy Policy Staff, ASCS, and I have with me Mr. Robert N. Cook, program specialist with our Farmer Programs Division, ASCS. Incidentally, I might mention that Mr. Cook is rated as a native of the State of Texas, and I am sorry that I cannot claim that same distinction.

Also, I might mention in the beginning, that contrary to what has been indicated earlier, we are not with the Agricultural Research Service and our knowledge and experience does not extend to the chemical and technical aspects of pesticides and the like. I thought perhaps we could provide you with other information which may be helpful to you.

Your committee just recently requested a report from the Department of Agriculture on legislation which, like H.R. 17995, would extend the authority for indemnity payments to dairy farmers for another year, through June 30, 1969. The proposed extension is now under active consideration by the Department, and a report is being prepared. Since that report has not yet been submitted to the committee, I cannot at this time say whether or not the Department will recommend a continuation of the milk indemnity program.

I would, however, like to present a very brief summary of the indemnity program since it was first begun, and then attempt to answer any questions which may arise.

The milk indemnity program was first authorized and funded by the Economic Opportunity Act of 1964 for milk kept off the market after January 1 of that year as a result of pesticide residues.

That act authorized indemnity payments for losses through January 31, 1965. Thereafter, the legislation was amended three different times, extending the indemnity program through June 30, 1967:

The first extension was for 5 months, from January 31, 1965, to June 30, 1965; the second extension was from June 30, 1965, to June 30, 1966; and the third extension was from June 30, 1966, to June 30, 1967.

Last year, the first session of this Congress enacted new legislation, Public Law 90-95, which again extended the program through June 30, 1968.

Since the program was first begun, indemnity payments totaling approximately \$975,000 have been made to 350 milk producers in 27 States. During the past year, payments have amounted to approximately \$200,000. I have here a table which summarizes these payments, by years and by States.

If I may, I will pass it up to you now?

The CHAIRMAN. Yes.

(The document referred to follows:)

EXPENDITURES UNDER MILK INDEMNITY PAYMENT PROGRAM

	Fiscal year expenditures				Total
	1965	1966	1967	1968	
Arizona		\$1,265.56			\$1,265.56
Arkansas				10,000.00	9,630.52
California	\$14,356.64	3,838.34	\$8,132.68	22,584.23	58,911.89
Colorado				2,123.00	2,123.00
Florida					
Georgia	1,258.89	9,359.99			10,619.88
Idaho	3,630.52			6,000.00	9,630.52
Illinois	226.91	223.52	281.76		732.19
Iowa	1,368.05	20,794.58			22,162.63
Kansas	8,350.00	77,614.58			85,964.58
Louisiana	7,469.47				7,469.47
Maryland	164,747.00	13,868.06			178,615.06
Michigan	215.22				215.22
Minnesota	619.46				619.46
Mississippi		3,583.17	1,428.25		5,011.42
Missouri	736.49	914.45			1,650.94
Montana				38,369.06	38,369.06
Nebraska		4,505.37	2,373.10		6,878.47
New York			7,822.14		7,822.14
North Carolina	4,077.93				4,077.93
Pennsylvania	55,746.45				55,746.45
South Dakota	1,019.21				1,019.21
Tennessee	4,564.48				4,564.48
Texas			244,473.10	97,723.56	342,196.66
Utah	29,896.80				29,896.80
Virginia	23,299.85				23,299.85
West Virginia	13,740.07	3,576.33			17,316.40
Wisconsin	14,609.25	11,066.90	15,062.48	21,127.00	61,865.63
Total	349,932.69	150,610.85	279,573.51	197,926.85	978,043.90

Note: Figures for 1968 include applications paid, applications filed but not paid as of this date and estimates where producers are off the market, but applications have not been received.

¹ Estimated.

Mr. ADAMS. You will note that the program coverage in each State has been relatively limited in the number of applicants and the amount of payments. Nevertheless, the payments have been of great significance to those who have received them and, without a doubt, have saved them from financial ruin.

Many actions have been taken by the Department of Agriculture, by State and local agencies, and by dairymen themselves to reduce or eliminate pesticide contamination of milk. Consequently, the incidence of contamination and condemnation, and the amount of payments, has been much less than was originally anticipated. Nevertheless, some producers, through no fault of their own, have continued to suffer losses due to pesticide residues in their milk, and it seems likely that there may continue to be some further losses before the problem is finally resolved.

The CHAIRMAN. Thank you very much, Mr. Adams. Are there any questions?

Mr. O'Neal?

Mr. O'NEAL. We are not concerned with atomic fallout here at all, are we?

Mr. ADAMS. No, sir.

Mr. O'NEAL. You merely determine what the chemical residue is without regard to whose fault it is?

Mr. ADAMS. No, sir; we also determine that it was not the fault of the farmer who suffered the loss.

Mr. O'NEAL. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Mr. Adams, what is the main reason why there are more problems in Texas.

Is it because of cotton?

Mr. ADAMS. Mr. Kleppe, yes, sir; I think that is a part of it. The other part is that the producers who have been affected are usually large producers. There were not many of them, there were only four or five, but these were all large producers and their losses were large. It appeared to us that for the most part these losses, which were in the El Paso area, were due to one or two or three things. One, from an apparent drift of spraying on cotton and other crops around these farms by aerial spraying; secondly, from DDT contaminated soil being blown from one place to another and, perhaps, to a lesser extent in the beginning through purchases of contaminated feed by these producers. I might add that this was done without their knowledge. They did not know it was contaminated when they bought it.

Mr. KLEPPE. I also noticed that Montana producers did not receive indemnity payments from 1965 through 1967, and in 1968 there were some losses.

Mr. ADAMS. Yes, sir.

Mr. KLEPPE. Do you know why they occurred?

Mr. ADAMS. Those losses occurred only recently, within the last 2 or 3 months, I believe, they were confined pretty much to one area of Montana. Mr. Cook can tell you more about the details of the losses.

Mr. COOK. Chlordane was primarily the pesticide causing the loss in Montana. I think the reason it came up this year and had not shown up before is the fact that the sanitary authorities in Montana have started using more sophisticated testing equipment and they are finding chlordane today where they did not find it before.

The CHAIRMAN. May I ask, in that connection, with that testing equipment, who makes the determination that the milk is unfit for human consumption?

Mr. COOK. The Montana Livestock Sanitary Board, I believe, in this case. It usually is a public health agency within the State. In some cases, like in the case of the El Paso area in Texas, the Food and Drug Administration made the determination, because it was crossing State lines.

The CHAIRMAN. In other words, when there is an interstate question involved, it is the Food and Drug Administration and not the Department of Agriculture?

Mr. COOK. That is correct. We do not make that determination; that is right.

The CHAIRMAN. Mr. Goodling?

Mr. GOODLING. Is most of this damage caused by direct contact or by drifting?

Mr. COOK. I do not know. In Montana this past year, it has been primarily the direct application of pesticides to the farmers' own hay crop. I would say that the majority of the other cases have been either from drifting or from the purchase of such hay.

Mr. GOODLING. You would not know whether the farmer used it as directed?

Mr. COOK. You mean in the case of his own hay?

Mr. GOODLING. That is right.

Mr. COOK. We get his certification to the effect that he did use it correctly or get such certification from the commercial firm that applied the pesticide.

Mr. GOODLING. Did you say that this can be caused by using contaminated seed?

Mr. COOK. Mr. Adams did not mean to say that, if he did.

Mr. GOODLING. I thought that he did. Would you say that it can be caused by contaminated soil blowing from another field?

Mr. ADAMS. There is evidence to that effect; yes.

Mr. GOODLING. Can you prove that scientifically?

Mr. ADAMS. I do not know whether I can prove it scientifically, or not. Arizona seems to think they have pretty good evidence to that effect.

Mr. GOODLING. I would like to know about that. I have used many tons of insecticides in my day. I question very seriously whether you contaminate pasture soils by soil blowing from other areas. It may be possible.

The CHAIRMAN. Let us go off the record.

(Discussion was had outside the record.)

The CHAIRMAN. Back on the record.

Mr. GOODLING. Have you paid in 1968?

Mr. ADAMS. Yes.

Mr. GOODLING. That is, for the 1968 hay crop?

Mr. ADAMS. That is for the milk.

Mr. GOODLING. I thought you said it came from the hay.

Mr. ADAMS. In some case; yes.

Mr. GOODLING. It is the 1968 hay and pasture?

Mr. ADAMS. It would be from the 1967 crop of hay, perhaps used in 1968.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. These are figures for the fiscal year to date?

Mr. ADAMS. Yes.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. I would like to ask that this table be made a part of the record.

The CHAIRMAN. If it was not so made when it was handed up, it will be, without objection, included in the record.

Mr. Kleppe?

Mr. KLEPPE. I have one more question.

Do either one of you gentlemen know if tordon is one of the culprits?
 Mr. COOK. I have not run into that.

Mr. KLEPPE. It is used quite extensively in my area, particularly against leafy spurge, and a lot of dairy people use it. I was wondering if this was one of the culprits.

Mr. COOK. I do not believe we have had any cases of tordon.

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

Mr. ADAMS. Thank you, sir.

(The following letter and statement were also submitted to the committee:)

STATEMENT OF HON. GEORGE V. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. Chairman, I urge approval by this Committee of H.R. 17752 and of my bill, H.R. 17995, to provide indemnity payments to dairy farmers.

Mr. Chairman, many dairy farmers are unable to market their milk at the present time through no fault of their own. They had relied—as I would expect them to continue to rely—on the advice of their government in the use of certain chemicals which, at the time, were registered and approved for use by that government.

Since then it has been found that the milk from their herds contained residues from those chemicals which make the milk unfit for sale on commercial markets.

It is only just, Mr. Chairman, that, until such time as the residues have disappeared and the milk is once again fit for commercial markets, that the Federal Government, upon which these people had relied for advice, continue to provide them with indemnity payments.

Again, I urge that this legislation be approved.

JULY 2, 1968.

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

DEAR MR. POAGE: As the sponsor of the bill—H.R. 11160—introduced last year and subsequently enacted into law as P.L. 90-95, you are well aware of the importance of the pesticide payment program to dairy farmers. Although the expenditures under this program have been very modest, however, to the dairy farmers whose milk has been contaminated through no fault of their own, these payments are desperately needed.

These programs must be continued for at least another year and we strongly support the bills H.R. 17752 and H.R. 17995 to continue for one more year of indemnity payments to dairy farmers.

We will appreciate it if you will make this communication a part of the record of hearings on the proposed legislation.

Sincerely,

NATIONAL MILK PRODUCERS FEDERATION,
 E. M. NORTON, *Secretary*.

The CHAIRMAN. We have no other bills now to come before the committee; do we?

Miss HANNAH. Not in open session.

The CHAIRMAN. I would like for the committee to now go into executive session.

(Whereupon, at 11:15 a.m., the committee retired into executive session and the reporter was excused.)

AMEND THE CONSOLIDATED FARMERS HOME ADMINISTRATION ACT

MONDAY, JULY 1, 1968

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

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

Present: Representatives Poage, Gathings, Stubblefield, O'Neal, Jones of North Carolina, Belcher, Teague of California, Wampler, Goodling, and Kleppe.

Also present: Martha Hannah, subcommittee 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.

The committee is met this morning on a number of different subjects. We are trying to clean up our docket.

The first item we have is H.R. 18209 which is a bill to amend the Farmers Home Administration Act. Even though our attendance is not what we would like for it to be, I think it would be advisable if we moved along as rapidly as we can, because I am sure that you gentlemen know that there is pressure for the movement of bills. If they are not in this week they will not get a rule.

Therefore we will proceed.

(H.R. 18209 follows:)

[H.R. 18209, 90th Cong., second sess.]

A BILL To amend the Consolidated Farmers Home Administration Act of 1961, as amended, to provide for loans to supplement farm income and to provide for additional recreation loans, extend the period for water and sewer grants prior to completion of a comprehensive plan, increase the amount of unsold insured loans that may be made out of the fund, raise the aggregate annual limits on grants, remove the annual ceiling on insured loans, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Consolidated Farmers Home Administration Act of 1961, as amended, is further amended as follows:

The first sentence of section 303 is amended to read as follows: "Loans may be made or insured under this subtitle for (1) acquiring, enlarging, or improving farms, including farm buildings, land and water development, use and conservation, (2) recreational uses and facilities, (3) enterprises needed to supplement farm income, (4) refinancing existing indebtedness, and (5) loan closing costs."

SEC. 2. Section 304 is amended by inserting "(a)" after "subtitle", and by changing the period at the end of the section to a comma and adding the following: "not including recreational uses and facilities, and (b) without regard to the requirements of section 302 (2) and (3), to individual farmowners or tenants to finance outdoor recreational enterprises or to convert to recreational

uses their farming or ranching operations, including those heretofore financed under this title."

SEC. 3. Section 306(a) (2) is amended by changing "\$50,000,000" to "\$150,000,000".

SEC. 4. The last sentence of section 306(a) (3) is amended by changing "1968" to "1971".

SEC. 5. Section 306(a) (6) is amended by changing "\$5,000,000" to "\$25,000,000".

SEC. 6. Section 306 is further amended by adding at the end thereof the following:

"(d) An applicant for a loan under this section for a water or sewer project to serve any area in any city or town shall, together with the Secretary, make all reasonable efforts to obtain private or cooperative financing of the project; and where such efforts are unsuccessful, the Administrator of the Farmers Home Administration shall personally so determine and furnish a report thereon prior to the approval of the loan to the Committee on Agriculture and Forestry of the Senate and the Committee on Agriculture of the House of Representatives. Whenever, in the judgment of the Secretary, a sewer or water project can be financed through a grant under this section and a loan from private or cooperative sources as advantageously to the applicant and as economically to the Government as through financing by the Government under this section (taking an allowance to cover current administrative costs into account), the Secretary shall require the applicant to obtain such loan from private or cooperative sources.

"(e) Each department or agency of the Federal Government which is authorized to furnish financial assistance for any of the purposes for which financial assistance may be furnished under this section shall carefully review each application for such assistance received by it, determine whether the needs of the applicant may be better served by another department or agency, and, if so, advise the applicant and such other department or agency of such determination. The President shall issue such rules and regulations as he deems necessary or desirable to assure (1) the coordination of the program authorized by this Act with related programs of other agencies, including the Department of Housing and Urban Development, the Department of Commerce, and the Department of the Interior; and (2) the availability to prospective applicants of information on the alternative programs available to them."

SEC. 7. Section 308 is amended by striking the word "Loans" from the beginning of the first sentence and inserting in lieu thereof "Until October 1, 1971, loans" and by striking the comma after the word "Secretary" and the phrase "aggregating not more than \$450,000,000 in any one year."

SEC. 8. Section 309(f) is amended by changing "\$50,000,000" to "\$100,000,000".

SEC. 9. Section 312 is amended by (a) revising subsection (4) to read as follows: "(4) financing land and water development, use, and conservation,"; (b) inserting new items (5) and (6) to read as follows: "(5) without regard to the requirements of section 311 (2) and (3), to individual farmers or ranchers to finance outdoor recreational enterprises or to convert to recreational uses their farming or ranching operations, including those heretofore financed under this title, (6) enterprises needed to supplement farm income,"; and (c) by renumbering the present items "(5), (6), and (7)" to "(7), (8), and (9)".

SEC. 10. Section 313 is amended by changing the colon after "\$35,000" to a comma, and by striking the proviso in item (1).

SEC. 11. Section 316 is amended by (a) striking from the first sentence "at an interest rate not to exceed 5 per centum per annum," and (b) adding at the end of the section the following: "Loans made under this subtitle shall bear interest at a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus not to exceed 1 per centum per annum as determined by the Secretary."

SEC. 12. Section 331 is amended by adding a new subsection (f) at the end thereof to read as follows:

"(f) Release mortgage and other contract liens if it appears that they have no present or prospective value or that their enforcement likely would be ineffectual or uneconomical."

SEC. 13. Section 333(b) of the Consolidated Farmers Home Administration Act of 1961 is amended by inserting "310," after "306," in both places and striking the word "farming".

The CHAIRMAN. We have with us this morning Mr. Baker, Mr. Bertsch, and several others.

Do you want to lead off?

STATEMENT OF HON. JOHN A. BAKER, ASSISTANT SECRETARY OF AGRICULTURE; ACCOMPANIED BY HOWARD BERTSCH, ADMINISTRATOR, FARMERS HOME ADMINISTRATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. BAKER. Thank you, Mr. Chairman. As you have just mentioned, I have with me Mr. Bertsch, the Administrator of Farmers Home Administration, and also Mr. Charles Brodersen, of the General Counsel's office.

May I express my appreciation to you, Mr. Chairman, for introducing H.R. 18209 and for scheduling this hearing.

Your committee has our full list of recommended amendments to the Consolidated Farmers Home Administration Act. Some of the amendments we recommended are included in H.R. 18209 and some are not. I know that the chairman and members and staff of the committee have studied these proposals carefully and you have incorporated in H.R. 18209 those that you feel can move through Congress without delay for required further exploration of complex new programs. We appreciate your desire to move forward with those that do not require detailed further study.

I understand and accept your desire this morning to confine our discussion to the provisions of H.R. 18209. Therefore, our testimony will be directed to its provisions.

With the indulgence of the committee, however, I shall merely list briefly without discussion those of our proposals that are not included in H.R. 18209 with the understanding that we stand ready to explore each of them later with the committee at an appropriate time.

These are:

Specification of the existing successful grazing association loan program as a separate loan purpose;

Provision for a flexible maximum interest rate on real estate loans;

A new program to close the credit gap for rural cooperatives; and

A proposed new amendment to authorize the making of insured, as well as direct, operating loans to low-income small farmers to supplement and increase the loan level of credit available to those unable to borrow from any other source funds needed to make a crop.

I understand, Mr. Chairman, it is not appropriate and in order to discuss these proposals at the hearing this morning. We would, however, welcome discussion of them with the committee at the earliest possible date.

Now, Mr. Chairman, I will ask Mr. Bertsch to outline briefly our position on the provisions of H.R. 18209. Then, Mr. Bertsch and I will welcome the opportunity to respond to any questions that you or members of the committee may have.

If I may, Mr. Chairman, I would like to say that as a rather close and interested observer I have been pleased and gratified by the progressive and competent job Howard Bertsch has done these past 8 years in leading a truly fine Government agency to greater service for family farms, for elimination of rural poverty and for the development and betterment of rural communities.

The CHAIRMAN. Before Mr. Bertsch begins, I would like to state that you have done a very fine job, Mr. Baker; and, to you, Mr. Bertsch, we congratulate you. We appreciate the interest you have always taken and the cooperation you have always extended the committee. We appreciate the fine administrative job you have done, and your cooperation. We do appreciate your fine work. We are delighted to have you with us and we will be pleased to hear from you now.

STATEMENT OF HOWARD BERTSCH, ADMINISTRATOR, FARMERS HOME ADMINISTRATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. BERTSCH. Thank you, Mr. Chairman. I wish to express my appreciation to Secretary Baker, too, for his generous remarks. I think I have learned over the years to duck just about this time.

I greatly appreciate this opportunity to testify on H.R. 18209, a bill that would enable the Farmers Home Administration to be even more effective in strengthening the economy of rural America.

Many of the proposals contained in this bill were recommended by the President in his message on "Prosperity and Progress for the Farmer and Rural America."

Sections 1 and 9 of the bill would enable the Farmers Home Administration to make loans for the development of small nonfarm business enterprises to a broader group of farmers than our current authorities permit.

For the past three and a half years we have been making such loans under delegation from the Office of Economic Opportunity to farm families and other rural people who have extremely low incomes. All total, 21,900 initial loans of this type have been made for a total of \$43 million.

We have found this type of credit assistance to be effective. More than 300 different types of trades and small businesses have been established. Typical of these enterprises are farm machinery repair shops, small grocery stores, electrical appliance repair shops, cutting and hauling timber, and the production of handicrafts. The incomes of most of the borrowers have been increased. The repayment record had been satisfactory, and hundreds of small rural communities now have services that previously were not available.

But many of the farm families who could make good use of such credit are currently ineligible. Their incomes or their assets place them above the poverty level, or they need larger amounts of credit than are available under the Economic Opportunity Act.

Such families, assuming they are not able to increase their incomes through the development or purchase of additional land or through off-farm employment, would be able to increase their income under H.R. 18209 by developing small businesses needed in their community.

In effect, section 1 and section 9 would fill a credit gap that now exists in rural areas between the farm families who can obtain credit assistance for small businesses under the Economic Opportunity Act and the farm families who can meet the credit requirements of commercial lenders.

These loans, as is the case with all loans made by the Farmers Home Administration, would be made only to families who cannot obtain credit on reasonable rates and terms from other sources. As soon as the

families reach a point where they could qualify for credit from other sources they would be required to refinance their debts.

Sections 2 and 9 would enable the Farmers Home Administration to be more effective in helping farmers add to their incomes by developing income-producing recreational enterprises.

Allow me to briefly review our past experience in this field.

Since 1962, the Farmers Home Administration has been authorized by Congress to make loans to farmers for the development of income-producing recreational enterprises on their farms.

Nearly 800 farmers have received loans totaling approximately \$5 million to carry out necessary construction, buy equipment, and meet other expenses of developing recreational facilities. Recreational enterprises financed on family farms include fishing for a fee, boating facilities, picnicking, sports and camping areas, horseback riding, vacation farms, travel trailer parks, swimming facilities, cabins and cottages, hunting preserves, nine-hole golf courses, and pack service for big-game hunting.

A survey of 306 farm-based recreational enterprises financed by the Farmers Home Administration shows that nine out of 10 borrowers are making a profit and those who have been in the business for more than 3 years realize an annual average profit of \$2,143 in addition to their farm incomes. These recreational enterprises added a total of \$1.4 million to the gross incomes of the 306 borrowers who were surveyed. Youth camps seem to be the most profitable, with golf facilities and marinas ranking second and third.

The need for recreational facilities is constantly increasing.

Estimates compiled by the Bureau of Outdoor Recreation show that Americans paid six and a half billion visits in 1965 to facilities for 19 kinds of popular outdoor recreation activities. The Bureau forecasts that this volume will increase to more than 10 billion visits by the year 1980, assuming that the facilities to handle this expansion exist.

One of the barriers to the development of additional farm-based, income-producing recreational enterprises stems from the fact that currently a farmer who borrows funds from the Farmers Home Administration to develop a recreational enterprise must agree to continue to farm.

Many potential borrowers reason that to be successful in a business they must be able to devote their full time to its operation. They see conflicts occurring at critical times on the demands for their labor and management if they attempt to set up and run recreational enterprises alongside of their farm business.

So they abstain from entering the recreation field.

H.R. 18209 would make it possible for a farmer to convert his entire farm to recreation.

This, in our opinion, would be a great boon to the development of needed recreational facilities and enable farmers with marginal operations and with talent for handling a recreation business to make substantial increases in their incomes.

Section 3 of the bill would increase the amount of development grants that could be made in a fiscal year for water and waste disposal projects from the present limit of \$50 million to \$150 million.

Development grants were first authorized in 1965. The demand for these grants demonstrates that the present authorization of \$50 million

annually is not sufficient to meet even the most critical need. We suggest, however, than an increase to \$100 million at this time would be more realistic.

These grants in many cases make the difference between communities having modern water and waste disposal facilities or continuing to live with the inconvenience and health hazards of an inadequate, polluted water supply and primitive methods of waste disposal.

The Farmers Home Administration makes maximum use of each grant dollar. The law authorizes grants up to 50 percent of the project construction cost. The agency, however, limits the amount of grant to the amount needed to provide a reasonable user service cost.

As a result of this policy, the grants we make are running about 15 percent of the project cost of all water and waste disposal facilities financed. As a result, we are able to assist a far larger number of rural communities and a far larger number of rural people than would have been possible had we made a flat 50-percent grant in each case.

Sections 4 and 5 would extend from October 1, 1968, to October 1, 1971, the period within which grants may be made to assist in financing water and waste disposal projects if a comprehensive area plan for developing water and waste disposal systems has not been completed and would increase from \$5 million to \$25 million the amount authorized annually for comprehensive planning grants.

Since the passage of Public Law 89-240, the Poage-Aiken Rural Development Act, in 1965, rural communities have made considerable progress in developing comprehensive plans for water and waste disposal systems. In fact, with the assistance of this program, 1,050 counties of the approximately 3,000 rural counties in the United States have already undertaken the development of such plans. However, it is clear at the present time that unless the deadline for the completion of such plans is extended, thousands of rural communities will have to postpone their plans for community improvement.

One of the reasons that many rural communities have not yet completed their comprehensive plans is the shortage of planning grants.

The funds currently authorized cannot meet even the most critical needs. However, in light of the overall demands made on the budget, we suggest that an authorization of \$15 million is more realistic than the \$25 million proposed in the bill.

Section 6 would set up a number of loanmaking conditions that, we respectfully suggest, would hinder rather than improve the administration of the water and waste disposal loan program.

Section 6, for example, would require the Farmers Home Administration to report to the House and Senate Agriculture Committees, prior to loan approval, the name of each applicant who has, after all reasonable efforts have been made, been unable to obtain private or cooperative financing for a water or sewer project.

The genius of the Farmers Home Administration, if I may be permitted to say so, lies in the fact that the loan-making authority within the agency is decentralized and rests in the hands of employees who live in the communities they serve and understand local problems.

We are always interested in reviewing our operations with the Agriculture Committees of the House and Senate. However, in the interest of making the most economical use of the time of all concerned and of

utilizing our decentralized authority to the maximum, we do not believe a report of the type called for would be a practical undertaking.

In order to insure that applicant communities can make the greatest possible use of credit available from other sources, we are now revising our regulations to (1) require that each community offer bonds for sale to the public and (2) authorize the sale of a portion of such a bond issue.

If the applicant receives a bid on all or part of the proposed bond issue which results in a net interest cost equal to or less than the applicable Farmers Home Administration interest rate, the Farmers Home Administration will not make that part of the loan covered by the acceptable bid.

If a development grant is necessary, it will be made regardless of who buys the bonds.

Section 6 would also require, and I quote:

Whenever, in the judgment of the Secretary, a sewer or water project can be financed through a grant under this section and a loan from private and cooperative sources as advantageously to the applicant and as economically to the Government as through financing by the Government under this section (taking an allowance to cover current administrative costs into account), the Secretary shall require the applicant to obtain such loan from private or cooperative sources.

This proposed amendment implies, I believe, that there are times when all a rural community needs to do to qualify for private credit is to obtain an additional grant equal to the amount of the administrative expenses incurred by the Farmers Home Administration in financing the community's water or sewer system.

We do not believe this type of financial assistance would be a proper use of grant funds.

We believe that such grant funds as are available from the Government should be used to lower the cost to the users of water and sewer systems rather than provide the interest charged by private investors.

Section 6 also calls upon the President to take steps to coordinate the services provided by all of the agencies that assist in the development of water and sewer systems.

This coordination has already been provided by a directive from the Bureau of the Budget. We have had over 2 years' experience with this Government-wide referral and information system in which applicants are sent to the agency best qualified to meet their needs. We find this system to be working very effectively.

Therefore, for the reasons stated above, we suggest that section 6 be deleted from the bill.

Section 7 of the bill removes until October 1, 1971, the \$450 million annual ceiling on insured loans for farm ownership, soil and water conservation, the development of rural community water and waste disposal systems, and for grazing and recreation areas.

We are heartily in accord with removing the \$450 million ceiling, but it may be that the Congress would like to review and evaluate program effectiveness prior to the October 1, 1971, date proposed in section 7.

Section 8 of the bill would increase from \$50 million to \$100 million the amount of loans that can be made from and held at any one time in the agricultural credit insurance fund pending initial sale.

This change will permit a smoother flow of loans through the fund and eliminate delays in issuing loan checks.

The \$50 million ceiling when it was originally established was based on an insured loan program that totaled \$200 million.

The increase to \$100 million would also permit the accumulation of blocks of loans to be sold to lenders interested only in large investments.

Section 10 would eliminate the proviso that restricts the use of 75 percent of the funds available for farm-operating loans to borrowers whose indebtedness, after receiving the loans, will be less than \$15,000.

In recent years the amount of credit needed for farm-operating expenses has increased greatly throughout the country. The removal of this restriction will provide a uniform operating credit ceiling for all eligible applicants throughout rural America.

Section 11 would change the interest rate on farm-operating loans from the current rate of 5 percent to a rate that reflects the "current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus not to exceed 1 per centum per annum as determined by the Secretary."

Knowing of the committee's continued interest in an adequate supply of farm-operating funds, I feel that I should report that the \$275 million made available for direct operating loans in fiscal year 1968 were largely exhausted in March.

The \$250 million in direct loans proposed for fiscal year 1969 will be even less adequate in terms of meeting the needs of family farmers, but, under existing circumstances, is all the budget can support.

We hope, therefore, that at the earliest opportunity, we will be able to pursue with this committee the feasibility of supplementing the direct operating loan funds with some version of an insured operating loan program.

Section 12 would enable the Farmers Home Administration to release mortgage and other contract liens if it appears that they have no present or prospective value or that their enforcement would be ineffectual or uneconomical.

This authority is necessary if we are to do a businesslike job of clearing our records.

I do appreciate this opportunity to appear once again before your distinguished committee and I repeat, that with some modifications I believe this bill, if enacted, will be a major contribution to the strengthening of the economy of rural America and a great benefit to the people who live in the countryside.

The CHAIRMAN. Thank you, Mr. Bertsch.

I wonder if we could not have a little clearer understanding about section 6? Frankly, what we have is the Senate language. I am sure that you are aware of that. We did it on the theory that that possibly could be passed whereas probably other language could not be passed.

If it does not do any good, if it is not going to help anything, there is not any reason for putting it in, of course. And I would not want to try to pass judgment on that. Maybe the details set out there may not achieve anything, but I would doubt very much if we could pass the original language as suggested.

Mr. BERTSCH. Mr. Chairman, if section 6 were merely innocuous and failed to achieve anything, I would not feel compelled to raise an

objection to it. But I believe that section 6 does actual damage to the operating capacity, the operating efficiency of an organization like the Farmers Home Administration. As I have suggested in my testimony one of the real merits of this organization is the fact that the decisionmaking process is placed in the hands of a widely dispersed local staff, a staff that lives in the community, that knows the problems, and is a part of those communities.

We work quite diligently in qualifying the local county staffs to make wise decisions.

Frankly, I feel that the decisionmaking process ought to take place where the problem is.

I think that general policy guidelines should be developed by the Administrator in the Farmers Home Administration, but the application of that policy to precise local situations ought to be left to local judgment.

Section 6 would deprive us of that opportunity; it would deprive us of that decentralized function; it would require all of these loans to be reviewed in Washington prior to their approval and they would need to be discussed with the two committees of Congress, and we are talking about something in the neighborhood of 1,100 or 1,200 loans a year, and this seems to me to be a very serious deterrent to the kind of an efficient government which would be responsive to the needs of the people, this committee and the Farmers Home Administration which has undertaken to develop this program. It seems to me that it would be a serious step backward. I think that the balance of section 6 is more or less innocuous. It is duplicatory of things that are already going on, and for that reason it seems to me unnecessary.

But this one portion which I have described here is more than simply innocuous. I think it would be a serious setback to the cause of good government.

The CHAIRMAN. This is probably not a very good way of putting it, but this is probably the last day of hearings that are going to achieve anything. This is the Rules Committee statement.

Do you think that with section 6 out entirely, we would have a better bill?

Mr. BERTSCH. Yes, sir; I do. And while I certainly am not in a position to judge the reaction of the Senate conferees, I doubt if it is a matter of really major concern with the members of the Senate committee. I do not know the history of how it got in the bill, in any detail, but I believe we would have a much better bill with section 6 deleted.

The CHAIRMAN. I think the investment bankers suggested opposition to the original section 6. They suggested their own language in the Senate. The Senate did not take that, but wrote it somewhat differently.

Mr. BERTSCH. Section 6 of the administration's bill as originally proposed was not essential to the effective operation of the water and waste disposal program. I believe that section 6 is a substitute, and I am satisfied that your identification of the origin of it is accurate.

Perhaps, to satisfy someone's objection in the investment bankers group to our operation, I think we have satisfied their objection by the regulation which we have adopted requiring that any public body issuing revenue bonds or general obligation bonds will expose those bonds to the public at a publicly announced sale, and expose them not only in total but in part. That is, they will offer them for bid, so that

the buyer may take all or any part of them, and the problem has been heretofore that these were generally 40-year bonds, and the block of 40-year maturing bonds were offered in toto to the public. Many investment bankers did not want to buy 40-year bonds but wanted to buy 20-year bonds. About one-half of these serial bonds could be liquidated within 20 years. So now we are requiring that the bonds be offered in whole or in part, and before we buy the bonds that we have a firm rejection or a firm failure on the part of the investment banking fraternity to buy any part of them. I think this meets their major objection.

And we undertook to do that, just because, as you know, we had been in the business about 3 years and we were pretty new at it, and we have learned something about it. We have tried conscientiously to make every concession that we could make to the investing fraternity, so long as that concession did not result in a disadvantage, in a handicap to the rural community which we consider is our primary responsibility. I think now that we have an operating device that makes section 6 unnecessary.

I do recommend without any equivocation that we would have better legislation if it were deleted, and I do not propose a substitution of our original section 6 for it.

The CHAIRMAN. Are there any questions?

Mr. Stubblefield?

Mr. STUBBLEFIELD. I completely agree with Mr. Bertsch. What do we know about these local conditions? Besides it would be a time-consuming job to have it here.

I think that his recommendation is good and that section 6 ought to go.

The CHAIRMAN. Are there any further questions?

Mr. Belcher?

Mr. BELCHER. My understanding is that all that they do is submit a report. It does not require any approval of the House or the Senate committees, either one.

Mr. BAKER. Mr. Belcher, it is not so much the reporting to the committees where the problem lies, but the language requires the Administrator of the Farmers Home Administration to personally determine with respect to each individual loan, and, in effect, the Administrator of the FHA would be put in the position of being the county supervisor with respect to every loan that is made. I do not know when the Administrator would find enough time to do all of this and to do anything else that he is supposed to do as the Administrator of this agency.

The CHAIRMAN. Of course, you must delegate that authority, because it would make it almost impossible to do it without such delegation.

Are there any further questions?

Mr. Goodling?

Mr. GOODLING. On page 4, section 3. I am not certain about whom you are talking. You say that the bill would increase the amount for the development grants to be made for water and disposal projects. To whom would these grants be made?

Mr. BERTSCH. We now have authority, Congressman Goodling, to make grants not to exceed 50 percent of the construction costs to public bodies or to nonprofit associations. This authorization was con-

tained in the act of 1965. It put the rural communities on somewhat the same parity with the urban communities that had been receiving construction grants for community facilities for many years.

Mr. GOODLING. Will you specify what you mean by a "public body"?

That is what I do not know.

Mr. BERTSCH. A small municipality. A rural water district. These are the two major groups of public bodies that could be countywide water authorities authorized by State law to function as the utility district.

Mr. GOODLING. Where they would be able to finance the construction costs themselves?

Mr. BERTSCH. This particular reference here is to the subsidy of their construction costs. These systems, many of them, because of the sparsity of settlement along the line are not economically feasible to fund on a 100 percent loan basis. We are allowed to make whatever amount of grant we need, up to 50 percent, to reduce the user's cost on that water line to what is a comparable user cost to other people in a like situation, that is, what they are paying. So, we talk in section 3 of construction or development grants. At the present time we are authorized to make grants not to exceed \$50 million in any 1 year. It is a matter of having an authorization, a full legislative authorization, but the proposal in the bill would increase that from \$50 million to an annual authorization of \$150 million. We are recommending that \$100 million would be more realistic, that that should be the amount.

Mr. KLEPPE. Will you yield?

Mr. GOODLING. Yes, I yield.

Mr. KLEPPE. Mr. Bertsch, right along that line, can you tell us how many applications you have in hand for grants for sewer and water for these small communities?

Mr. BERTSCH. Yes, Congressman Kleppe. I will have to do some mental arithmetic here.

Mr. KLEPPE. Maybe you can furnish this for the record later.

Mr. BERTSCH. We have 892 applications on our processing schedule from public bodies, from these municipalities.

Mr. KLEPPE. And how many dollars does that encompass?

Mr. BERTSCH. \$158,940,000.

Mr. KLEPPE. So that \$22 million would be 15 percent roughly?

Mr. BERTSCH. Right. We have, in addition, because of the way we handle our processing schedules, received 1,738 applications, total \$375 million, which we have rejected, because we did not want to keep those communities hanging fire.

Mr. KLEPPE. You did not reject them, because they did not qualify?

Mr. BERTSCH. We rejected them because funds were not available or likely to be available in the foreseeable future.

Mr. KLEPPE. This is the point I am getting at. I think that this program has a great deal of merit. You take, in the sparse areas of my district, for example, of which we have a great number, this has proven to be a very beneficial and helpful program to the small communities, and this is why I am interested in the fund application as it pertains to funds available versus applications received. If this authorization were made \$100 million instead of \$150 million as in the bill and it were funded to that extent, you would then be in a pretty good shape to take care of most of the applications on a 15 percent basis, is that correct?

Mr. BERTSCH. We would be in shape to take care of about one-half of the applications.

Mr. KLEPPE. Only about one-half?

Mr. BERTSCH. Only about one-half.

Mr. KLEPPE. On a 15 percent basis?

Mr. BERTSCH. On a 15 percent basis.

Mr. KLEPPE. Are you rigidly sticking with this 15 percent per year now?

Mr. BERTSCH. No, no. What we are rigidly sticking with is, of course, the 50 percent, which is the statutory limitation, and within that, on the basis of each individual application we determine first the cost of the installation, and then we determine how much of that cost can be retired in revenue bonds.

Mr. KLEPPE. Without charging—

Mr. BERTSCH. With the usual user's fees to the members, and the balance between the cost and the capacity to repay, we incorporate in the grant, and that has turned out to be about 15 percent for the construction cost.

Mr. KLEPPE. The average throughout?

Mr. BERTSCH. As an average. We have made a number of grants in particularly rigorous situations for the full 50 percent which the statute permits us.

Mr. KLEPPE. Thank you. That is all.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. Mr. Bertsch, it is quite interesting that in the bill here, on page 3—it starts at the bottom of page 2—which has to do with the income-producing recreational enterprises, the current law states that these farmers can get these loans but they must farm in order to do so.

Mr. BERTSCH. That is correct.

Mr. GATHINGS. I just wondered how much of the time of these 800 people is required with regard to these recreational features, as compared with the farming operations?

I just wondered if all of these 800 people are all farmers.

Mr. BERTSCH. They were farmers when they received their loans, and they committed themselves to continue to be farmers. And so far as I know, they have fulfilled that commitment. It would be very difficult for me to answer what proportion of their time is devoted to farming and what proportion is devoted to recreational enterprises.

Mr. GATHINGS. All 800 are farmers?

Mr. BERTSCH. They are continuing to farm. I think that the significance of this legislation relates more to those who cannot accept the loan because of this requirement. Farmers who say that they could not hopefully succeed in the recreational enterprise, if they were going to be required to continue farming, did not undertake the recreational enterprise. These were farmers on relatively marginal units. They are farmers who have a particular talent for operating a recreational enterprise. There are farmers who have resources on their farms such as lakes and streams or wooded areas that can be better developed for recreational purposes than for farming purposes, but because of our inadvertent, I think, requirement that they continue to be farmers, they have not even undertaken the conversion of their

resources to the thing that they could use them best for, which would be recreation.

Mr. GATHINGS. The program is working, according to your report here, and a good part of these 800 farmers, nine out of 10 have repaid their loans.

Mr. BERTSCH. Nine out of 10, yes. We surveyed 306 out of the 800 on a random basis.

Mr. GATHINGS. Across the country?

Mr. BERTSCH. Across the country, and we tried to get a good spread of different kinds of recreational enterprises. Nine out of those 10 surveyed made a profit on the recreational enterprise. Those who had stayed at it or had been at it for 3 years made a profit on the recreational enterprise, a net profit of \$2,148 on the average, which is a pretty good supplement to their farm income.

Mr. GATHINGS. They are people who would prefer to use their woodland and other lands for wholly recreational purposes, and they came up with \$2,143 gross income?

Mr. BERTSCH. They came up with a great deal more than that, because they would not be splitting their management and their labor between the farm operations and the recreational operations—that is, if they did not split their operations. Some of those borrowers we now have are continuing to farm and would like to convert the balance of their farm to recreation, but we are unable to permit them to do that.

So considering the experience we have had with the 800 compared to the experience we have had with a great many applicants who wanted to be engaged or engage totally in the recreational enterprise, we believe that this is a proper expansion, a proper relaxation that we now have.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any other questions of these gentlemen?

If not, we are very much obliged to you, gentlemen.

We are always glad to have you come before us.

You have been very helpful to the committee.

Mr. BAKER. We appreciate your interest in moving forward with as much of this as you can move forward with. We appreciate the situation in which you find yourselves.

The CHAIRMAN. Thank you.

(The following statement was also submitted to the committee:)

STATEMENT OF HON. RICHARD H. ICHORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Chairman and members of the House Agriculture Committee, I am here to testify in support of H.R. 18209, amending the Consolidated Farmers Home Administration Act. For some time I have been greatly concerned about the Farmers Home Administration program in rural communities for the development of rural water and sewer systems. This program is rapidly becoming one of the most constructive and progressive programs ever supported by the federal government, and I feel that all possible haste should be made to expand and enlarge the program. No other program can do more in strengthening the rural economy of America than this, the FHA, water and sewer program.

I know that H.R. 18209 purports to increase the limit for grants for financing rural water and sewer projects from \$50,000,000 to \$150,000,000. I hope it is possible to permit full funding of the \$150,000,000 as these grants many times are the determining factor in the establishment of modern water and waste disposal facilities in rural communities. Too many rural areas still labor under

antiquated and primitive water systems and waste disposal which create real health hazards and contribute enormously to the Nation's serious water pollution problems. Certainly, these environmental conditions prevailing in some underdeveloped areas should be eliminated by first ensuring a clear, clean and healthful water supply and by providing for the orderly disposal of wastes. Increasing the FHA grant limitations is a gigantic step forward for rural America, and I enthusiastically support the provisions of H.R. 18209.

I am also glad to see that an increase in allowances for comprehensive planning grants is provided in this bill raising the limit from \$5,000,000 to \$15,000,000. It also extends the period of time under which grant assistance can be made to towns and cities developing comprehensive plans of community growth. These provisions will enable many of the towns and villages already working progressively toward rural area development to continue with the constructive programs. "Self-help" programs of this nature designed to promote and advance local rural economies through community development contribute many times over the initial cost to the national economy. The original outlay is returned to the federal government several fold in the final analysis.

H.R. 18209 further strengthens the FHA water and sewer program by removing the ceiling on insured loans. It is a more realistic approach, I believe, to establish the flexible ceiling proposed in Section 6, based on the demand for loans and the need for community facilities.

The Farmers Home Administration is as vital to the rural areas of America as is the Rural Electrification Administration, and I am gratified that your committee, Mr. Chairman, is considering these objective amendments to the Consolidated Farmers Home Administration Act. It is imperative, I believe, that H.R. 18209 be favorably reported with all possible haste to enable hundreds of small towns and communities to keep pace with progress.

The CHAIRMAN. Is there anyone else to be heard upon this legislation, H.R. 18209?

Is there anyone else for or against it?

If not, we will pass to the next bill.

(Whereupon, at 10:45 a.m., the committee proceeded to the consideration of other matters.)