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PEANUT MARKETING CERTIFICATE PROGRAM
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HEARINGS
BEFORE THE
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS
SECOND SESSION
ON
H.R. 18145, H.R. 18213, and H.R. 18376

JULY 16 AND 17, 1968

Serial BBB

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PEANUT MARKETING CERTIFICATE PROGRAM

TUESDAY, JULY 16, 1968

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:03 a.m., in room 1301, Longworth House Office Building, Hon. Maston O'Neal (chairman of the subcommittee) presiding.

Present: Representatives O'Neal, Poage, Gathings, Abbitt, Purcell, and Wampler.

Also present: Hyde H. Murray, assistant committee counsel; and Betty M. Prezioso, committee staff assistant.

Mr. O'NEAL. The Subcommittee on Oilseeds and Rice will come to order.

The subcommittee is meeting this morning for consideration of H.R. 18145, introduced by Mr. Purcell, a member of this subcommittee, and also identical bills, I believe introduced by Congressmen Steed, Fountain, Burleson, Wampler, McMillan, Abbitt, Jones of North Carolina, Henderson, and Hagan.

I notice Congressman Steed is in the audience. We will hear from him.

Without objection, H.R. 18145, H.R. 18213, and H.R. 18376 will appear in the record at this point.

(H.R. 18145, by Mr. Purcell; H.R. 18213, by Messrs. Steed, Fountain, Burleson, Wampler, McMillan, Abbitt, Jones of North Carolina, and Henderson; and H.R. 18376, by Mr. Hagan, are similar bills, the text of which follows:)

[H.R. 18145, 90th Cong., second sess.]

A BILL To provide continuing authority for maintaining farm income, stabilization of prices, and assuring adequate supplies of peanuts

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act of 1938, as amended, is amended by deleting subtitle E and sections 380a through 380p and substituting the following:

"SUBTITLE E—PEANUT MARKETING CERTIFICATES

"LEGISLATIVE FINDINGS

"SEC. 380a. The movement of peanuts from producer to consumer is preponderantly in interstate and foreign commerce, and the small quantity of peanuts which does not move in interstate or foreign commerce affects such commerce. Unreasonably low prices of peanuts to producers impair their purchasing power for nonagricultural products. The conditions affecting the production of peanuts are such that without Federal assistance, producers cannot effectively prevent low prices for peanuts or wide fluctuations in market prices. It is necessary in

order to assist peanut producers in obtaining fair prices, to regulate the price of peanuts in the manner provided in this subtitle.

"FARM PEANUT MARKETING CERTIFICATES

"SEC. 380b. (a) During any marketing year for which a marketing quota is in effect for peanuts, beginning with the marketing year for peanuts planted in the calendar year 1969, a peanut marketing certificate program shall be in effect as provided in this subtitle. The Secretary shall provide for the issuance of peanut marketing certificates for each marketing year for which a peanut marketing certificate program is in effect for the purpose of enabling producers on any farm with respect to which certificates are issued to receive, in addition to any other proceeds from the sale of peanuts, an amount equal to the value of such certificates. The certificates issued for any farm shall be on the actual production of farmers stock peanuts harvested on the farm: *Provided*, That if the Secretary determines that because of drought, flood, or other natural disaster the quantity of peanuts harvested on a farm is less than 40 per centum of the quantity obtained by multiplying the farm acreage allotment by the normal yield of peanuts for the farm, as determined by the Secretary, additional certificates for the farm shall be issued equal to such deficiency. The Secretary shall provide for the sharing of peanut marketing certificates among producers on the farm on the basis of their respective shares in the peanut crop produced on the farm, or the proceeds therefrom, except as otherwise approved under the regulations issued by the Secretary. Certificates shall not be issued for peanuts retained for use on the farm where grown. The Secretary may require producers on the farm to establish their actual production of farmers stock peanuts harvested on the farm and the number of acres on which such peanuts were harvested as a condition to issuing part or all of the certificates for the farm. No producer shall be eligible to receive peanut marketing certificates for any marketing year with respect to any farm (1) as to which a peanut marketing quota penalty is assessed or (2) as to which acreage allotments and marketing quotas for peanuts are not applicable under section 359(b) of this Act. In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this subtitle precludes the issuance of marketing certificates, the Secretary may, nevertheless, issue marketing certificates in such amounts as he determines to be equitable in relation to the seriousness of the default. Notwithstanding any other provision of law, for the purposes of establishing future State, county, and farm acreage allotments under this Act, the Secretary shall provide that the reduction in acreage of peanuts on any farm up to 20 per centum of the allotment in excess of the amount of the reduction required to be made as a condition of eligibility for peanut marketing certificates shall be considered as acreage devoted to peanuts.

"VALUE OF CERTIFICATES

"SEC. 380c. (a) The Secretary shall determine and proclaim for each marketing year, at the time he announces the level of price support for peanuts under section 108 of the Agricultural Act of 1949, as amended, for the crop to be marketed in the marketing year for which the determination is being made, (1) the face value per ton of all peanut marketing certificates, and (2) the recommended acreage of peanuts to be harvested at such levels as he determines can be expected to result in production of a quantity of peanuts needed to provide an adequate supply of peanuts for domestic edible use and for commercial seed plus a reasonable reserve: *Provided*, That the recommended acreage for the 1969 marketing year shall not be less than 85 per centum of the national acreage allotment and for any subsequent marketing year shall not be reduced below the recommended acreage for the preceding marketing year by more than an additional 5 per centum of the national acreage allotment. The recommended acreage shall also be determined and proclaimed as a percentage of the national peanut acreage allotment, which percentage is hereinafter referred to as 'the recommended percentage'. The face value of certificates issued to producers on farms on which the acreage of peanuts harvested is, as a percentage of the farm acreage allotment, (1) equal to or less than the recommended percentage, shall be not less than 1 per centum of the parity price for peanuts for each 2 per centum by which the recommended percentage is less than 100 per centum, and (2) in excess of the recommended percentage, shall be a value reduced below that in the preceding clause (1) on such scale as the Secretary determines to be appropriate. Notwith-

standing the foregoing, if the Secretary determines that the preceding provisions of this section will result in the production of peanuts of any type inadequate to fill the demand for such peanuts for domestic edible use and for commercial seed during the marketing year, he shall provide for the issuance of certificates, at the face value for producers on farms on which the acreage of peanuts harvested is equal to or less than the recommended percentage, on the actual production of peanuts of such type harvested on a farm on such acreage as he determines necessary to assure an adequate production of peanuts of such type. The face value per ton of certificates acquired by persons engaged in the cleaning in shell or shelling of peanuts shall be in an amount equivalent to 5 per centum of the parity price for peanuts, and beginning with the marketing year for peanuts planted in 1970 in the amount determined by the Secretary but not more than an amount equivalent to 1 per centum of the parity price in excess of the face value of certificates for the previous marketing years: *Provided*, That in any event the face value of such certificates shall not exceed an amount equivalent to 15 per centum of the parity price for peanuts. The cost of any marketing certificates issued to producers in excess of the value of certificates acquired by persons engaged in the cleaning in shell or shelling of farmers stock peanuts shall be borne by Commodity Credit Corporation.

“(b) Marketing certificates and transfers thereof shall be represented by such documents, marketing cards, records, accounts, certifications, or other statements or forms as the Secretary may prescribe.

“MARKETING RESTRICTIONS

“SEC. 380d. (a) Marketing certificates shall be transferable only in accordance with regulations prescribed by the Secretary. Any unused certificates legally held by any persons shall be purchased by Commodity Credit Corporation if tendered to the Corporation for purchase in accordance with regulations prescribed by the Secretary.

“(b) During any marketing year for which a peanut marketing certificate program is in effect, all persons engaged in the cleaning in shell or shelling of farmers stock peanuts in the United States (except as hereinafter provided) shall, upon receipt of peanuts, acquire peanut marketing certificates on all farmers stock peanuts which are received for use in the production of cleaned or shelled peanuts for edible or seed purposes as determined by the Secretary. In addition, the Secretary may require producers who dispose of peanuts either before or after their cleaning or shelling for use as seed to acquire peanut marketing certificates on the farmers stock peanuts so used. The Secretary shall issue regulations providing for refund of the value of certificates (1) on edible quality peanuts sold to Commodity Credit Corporation pursuant to the Commodity Credit Corporation price support program, and (2) on farmers stock peanuts purchased by a person engaged in the cleaning and shelling of peanuts but thereafter marketed as farmers stock peanuts solely for crushing or export. The Secretary may exempt from the requirements of this subsection peanuts cleaned or shelled for use on the farm where grown, peanuts produced by a State or agency thereof and cleaned or shelled for use by the State or agency thereof, peanuts cleaned or shelled for donation, and peanuts cleaned or shelled for use determined by the Secretary to be noncommercial. Marketing certificates shall be valid to cover only farmers stock peanuts received in the plant or warehouse during the marketing year with respect to which they are issued and after being once used to cover farmers stock peanuts shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover farmers stock peanuts received on or after the date during the calendar year in which peanuts harvested in such calendar year begin to be marketed as determined by the Secretary even though such peanuts are received prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover peanuts received on or after the date so determined by the Secretary.

“(c) Upon the giving of a bond or other undertaking satisfactory to the Secretary to secure the purchase of and payment for such certificates as may be required, and subject to such regulations as he may prescribe, any person required to have marketing certificates in order to receive farmers stock peanuts may be permitted to receive such peanuts without having first acquired marketing certificates.

"ASSISTANCE IN PURCHASE AND SALE OF MARKETING CERTIFICATES

"SEC. 380e. For the purpose of facilitating the purchase and sale of marketing certificates, the Commodity Credit Corporation is authorized to issue, buy, and sell marketing certificates in accordance with regulations prescribed by the Secretary. Such regulations may authorize the Corporation to issue and sell certificates in excess of the quantity of certificates which it purchases. Such regulations may authorize the Corporation in the sale of marketing certificates to charge, in addition to the face value thereof, interest in an amount determined by the Secretary on such certificates which are not acquired in the time as required by this subtitle and regulations prescribed by the Secretary.

"AUTHORITY TO FACILITATE TRANSITION

"SEC. 380f. The Secretary is authorized to take such action as he determines to be necessary to facilitate the transition from the program currently in effect to the program provided for in this subtitle. Notwithstanding any other provision of this subtitle, such authority shall include, but shall not be limited to, the authority to exempt all or a portion of the farmers stock peanuts or peanuts in cleaned or shelled form in the channels of trade on the effective date of the program under this subtitle from the marketing restrictions in subsection (b) of section 308d, or to sell certificates to persons covering such peanuts at such prices as the Secretary may determine. Any such certificates shall be issued by the Commodity Credit Corporation.

"REPORTS AND RECORDS

SEC. 380g. Any persons cleaning or shelling peanuts, any exporter and warehouseman of peanuts in farmers stock, or cleaned or shelled form and any person purchasing, selling, or otherwise dealing in peanuts or in peanut marketing certificates shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds necessary to carry out the provisions of this subtitle. Such information shall be reported and such records shall be kept in such manner as the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memorandums as he has reason to believe are relevant and are within the control of such person.

"REGULATIONS

"SEC. 380h. The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this subtitle, including but not limited to regulations governing the acquisition, disposition, or handling of marketing certificates."

SEC. 2. Section 379i of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) by inserting in subsection (a) after the words "subsection (b) of section 379(d)" the words "or subsection (b) of section 380d".

(2) by changing in subsections (b) and (c) the words "this subtitle" to read "this subtitle or subtitle E", the words "by section 379h" to read "by section 379h or section 380g", and the words "of marketing certificates" to read "of wheat or peanut marketing certificates".

(3) by changing in subsection (d) the words "any marketing certificate" to read "any wheat or peanut marketing certificate".

SEC. 3. Subsection (a) of section 359 of the Agricultural Adjustment Act of 1938, as amended, is amended effective beginning with the 1969 crop by deleting "(August 1-July 31)" from the first sentence and inserting in lieu thereof "(July 1-June 30)".

SEC. 4. The Agricultural Act of 1949, as amended, is further amended by inserting after section 107 the following new section:

"SEC. 108. Notwithstanding the provisions of section 101 of this Act, if marketing quotas and a peanut marketing certificate program are in effect for the crop, price support (excluding the value of peanut marketing certificates) shall be made available to cooperators through loans and purchases as follows: (a) for the 1968 crop at the level of 80 per centum of the parity price for peanuts, and (b)

for the 1969 and subsequent crops of peanuts at the level of 75 per centum of the parity price for peanuts. Notwithstanding the provisions of sections 401(d) and 406 of this Act, the level of price support for the 1969 and subsequent crops shall be determined and announced not later than February 15 of the calendar year in which the marketing year begins for the crop for which the support level is being determined."

**STATEMENT OF HON. TOM STEED, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF OKLAHOMA**

Mr. STEED. I would like to express my appreciation to the subcommittee for making this hearing possible and to urge that it give serious, thorough, and favorable consideration to what I think is a very important problem. I am very impressed with the fact that the legislation before the subcommittee is in a unique position in view of the fact that the growers throughout the country are virtually unanimous in their support of it.

I am also pleased that during the course of the hearings the subcommittee will have an opportunity to hear from a number of the leaders of the producing industry in my congressional district.

I want to introduce them to the subcommittee and I know that you will find these men to be not only experienced and knowledgeable, but men who can be completely relied upon with the information they give to the committee.

In the delegation is Mr. Floyd King of Eakley, Mr. Barton Scott of Binger, Mr. Jack Coppage of Holdenville, Mr. Clinton Williams of Madill, and Mr. Emil Larsen of Hydro.

I think I can assure the subcommittee that there are no more respected and admired men in the agriculture industry in Oklahoma than are these gentlemen, and it will be deeply appreciated for any consideration you give them. Mr. Chairman, again I want to express my personal appreciation for the courtesy shown me.

Mr. O'NEAL. Thank you, Mr. Steed. We will look forward to hearing these witnesses. I believe they will appear tomorrow, is that correct?

Mr. STEED. I believe that is the way it is scheduled.

Mr. O'NEAL. Thank you very much for coming to see us.

Before we hear the first witness, the Chair would like to observe that on page 5 of the bill, line 11, there is an obvious typographical error, or printer's error in which a whole line is transposed, or perhaps a line is missing. It would seem that the printer repeated line 5 again at line 11. I don't understand, myself, the way line 11 should read.

Mr. MURRAY might tell us what that line should be.

Mr. MURRAY. The correct language appears in H.R. 18213, the other bill that is being considered today, and on page 5, starting on line 9 is where the correct language is.

Mr. O'NEAL. You said 18213 is correct?

Mr. MURRAY. That is right.

Mr. O'NEAL. For purposes of this hearing we will disregard the language in 18145 and then see that the action bill is perfected when the time comes.

I notice from the schedule that the first witness is Mr. Horace D. Godfrey, Administrator of the ASCS.

STATEMENT OF HORACE D. GODFREY, ADMINISTRATOR, ASCS, U.S.
DEPARTMENT OF AGRICULTURE

Mr. GODFREY. Thank you, Mr. Chairman and members of the committee.

I am delighted to appear this morning and present the Department's views on the pending legislation on peanuts.

I believe it would be best to start by giving a little background on how the legislation has developed and a little past history on the program itself.

PROGRAM ACTION INTENDED TO PREVENT SURPLUS

During World War II peanut quotas and allotments were suspended and farmers were urged to grow more to provide needed supplies. They increased acreage to a peak of approximately 3,500,000 acres. After the war there was no longer need for so many peanuts. The marketing quota-allotment program was reestablished. The law fixes a minimum national allotment of 1,610,000 acres. Also, price supports are mandatory within a range of 75 to 90 percent of parity. The harvested acreage in recent years has been near 1,425,000 acres.

As is true for many agricultural commodities, research, education, and technological developments have provided farmers the means of increasing yields per acre. The yield increase has been more rapid than the increase in domestic food uses of peanuts. Exports of peanuts at prices comparable with the price-support level are negligible. The result is acquisition by CCC of an increasing surplus of peanuts under the price-support program.

PROGRAM COSTS CLIMBING

The surplus peanuts sell readily—at about one-half of the support price—in secondary markets for domestic crushing to produce oil and meal and for export for food use and for crushing. The carryover of peanuts has not built up to troublesome levels. Rather, in diverting the growing surplus of peanuts CCC has incurred mounting costs—up almost fourfold over the past 10 years; or from around \$12 million to around \$45 million annually.

FARM MARGINS REDUCED BY RISING FARM COSTS

In 1961 the price-support level for peanuts was established at \$221 per ton (86 percent of parity) compared with a net level of \$192 in 1960 (75.4 percent of parity). In 1967 support was \$227. The minimum level of 75 percent fixed by present legislation now is \$231.

In 1967 and again this year peanutgrowers made a strong plea for some increase in the level of price support. They pointed out that prices for peanuts have remained almost unchanged for a number of years while production costs have continued to go up. Growers say their net income from peanuts, after considering gains in efficiency, is down compared with 1961 or with the average for the past 5 or 10 years.

NEED FOR PROGRAM IMPROVEMENT

We recognize the need to do something about the problem of rising program costs and relatively lower farm prices for peanuts. The Department's Stabilization Advisory Committee on Peanuts, early in 1967, recommended that effort be made to find some way of modifying the peanut program that would:

1. Maintain and improve farm income.
2. Reduce program costs to the Government.
3. Assure an adequate supply of peanuts at prices fair to producers and consumers.

A subcommittee of the Advisory Committee was designated and did a substantial amount of work on the problem last year.

In February of this year growers met with the Secretary and again asked for an increase in price support. The Secretary summarized the problem about as follows:

I want to help you. I have told you my problems. I feel sure that further increases in price support will encourage production on every available acre. And, with mandatory support and high rising yields, CCC costs will be still higher.

I cannot see my way clear to raising the price support level on peanuts at a time when program costs are out of line and still rising. I recognize that growers' production costs have risen and that growers would like to have higher prices. I sympathize with you. But, when something is done to improve prices, something must also be done to reduce Government costs. This is necessary for the protection of the program itself.

If you will do something about the supply-demand balance so that CCC costs may be reduced, I will try to do something about a higher price support for the 1968 crop. In order to be able to do that I will hold up announcing the price-support level.

WORK ON PROGRAM REVISION

Immediately after the meeting, growers selected representatives to try to develop ways of improving the program in line with the objectives stated above. They asked their economists and others at the universities and extension services in several of the peanut-growing States to work with them. We made Department technicians available to meet and work with the group. Growers also asked representatives of shellers and manufacturers to meet with them several times and to present their views and suggestions. Many alternative ways or approaches were considered—some 15 to 20 as a matter of fact. The bill under consideration is the culmination of the untiring efforts of that group. It was not hastily or carelessly conceived.

VIEWS ON PROPOSED BILL

Grower representatives agreed unanimously on the bill. Shellers and manufacturers have expressed some reservations. The Department also has some reservations. We believe that certain changes are essential if the objectives sought are to be accomplished over a period of years. Department technicians who have worked with the growers believe the bill, subject to the recommended changes, is workable and that it would be constructive for farmers, for other segments of the industry and for the public as a whole.

BROAD PROVISIONS OF BILL

In broad terms, the bill increases the cost of peanuts to buyers by moving the total support level from 75 percent of parity to 80 percent of parity. Beginning with the 1969 crop, the support level for buyers will be the loan on all peanuts at 75 percent of parity plus certificates having a value of 5 percent of parity. The value of certificates to buyers may be increased by the Secretary by not more than 1 percent of the parity price in any later year but not to more than a total value of 15 percent of the parity price.

Funds derived from the sale of certificates will be used to help pay the cost of certificates issued to farmers who adjust their acreage below the farm allotments to the level recommended by the Secretary. Thus, farm income will be improved and the cost of the program to the Government would be reduced.

Beginning in 1969, support to all farmers will be available through loans at 75 percent of parity. To farmers who adjust their acreage downward below their allotments to a level recommended by the Secretary, support will be increased by the issuance of certificates. The value of the certificates will be 1 percent of parity for each 2 percent by which the acreage level recommended by the Secretary is below the farm allotments.

For the 1968 crop, the bill provides for regular price-support loans at 80 percent of parity, up to 5 percent from the legal minimum of 75 percent of parity.

RECOMMENDED CHANGES IN BILL

Let me discuss and try to explain why the Department feels strongly that these changes are desirable.

1. The bill fixes the value to producers who adjust their acreage downward to or below the level recommended by the Secretary at 1 percent of the parity price for peanuts for each 2 percent (that is, $\frac{5}{10}$ to 1) by which the recommended acreage is less than 100 percent of the farm allotments.

In lieu of this rigid formula for determining the value of certificates to be issued to producers, we believe that a flexible provision is needed so the program can be adjusted in the light of changes that may occur in the future and that cannot now be foreseen with certainty.

We suggest that the flexible provision provide for a value of certificates to producers of not less than that percentage of the parity price for peanuts which the Secretary determines will result in a total support price (that is, loan plus the certificate value) that will maintain the net income of cooperating peanut farmers at reasonable and fair levels considering the factors set forth in section 401(b) of the Agricultural Act of 1949, as amended, and the objectives of this act.

2. The bill provides for support for all producers through loans and purchases beginning in 1969 at 75 percent of parity.

In our judgment, this level should be reduced to 70 percent of parity with an offsetting increase in the value of certificates issued to farmers who adjust acreage to recommended levels and a like increase in the value of certificates acquired by shellers.

With this change the value of certificates to farmers would become 5 percent of parity plus an amount determined in relation to the recommended reduction of acreage, as already indicated. To farmers who do not wish to cooperate by adjusting acreage downward, support would be 70 percent rather than 75 percent of parity.

This change, which we feel is urgently needed, would help assure program benefits go to farmers who cooperate in adjusting acreage downward. Thus, it would be a far more effective program.

The total support level against which buyers acquire peanuts would be the same as that now provided in the bill. The decrease of 5 percent of parity in the loan would be offset by adding 5 percent of parity to the value of certificates.

3. In lieu of basing the price-support level for peanuts on a parity price determined by use of the so-called moving average parity formula, a fixed base should be established for which a special parity price for peanuts can be calculated by application of the parity index as it changes from year to year. This can be accomplished by using the parity price for peanuts on August 1, 1968, as the fixed base. This base then can be adjusted for the changes in the parity index for each year from the parity index for August 1968 to arrive at a special parity price for peanuts.

The shift to a fixed base would eliminate the danger of escalation in the parity price for peanuts such as that which developed for tobacco and which required legislation to correct.

4. The bill provides for price support on the 1968 crop under the present program at 80 percent of parity. This would increase the support above the present minimum of 75 percent of parity by \$15 to \$16 per ton. It would increase program costs by around \$6 million.

Our concern here has two aspects. First, the Congress has placed a severe limitation on Government expenditures in fiscal year 1969. Second, manufacturers have explained in their meetings with growers that they are afraid such a large increase in 1 year would adversely affect the consumption of peanuts. They have urged that the increase in the support level be made on a more gradual basis.

As the act now provides that the Secretary may establish the level of support within a range of 75 to 90 percent of parity, taking into consideration the factors specified in the act, we do not believe this provision is needed or should be included in the bill.

CONCLUSION

Aside from the changes recommended which we feel are urgently needed, I have a few technical changes that do not modify the substance of the bill. Time has not permitted us to obtain official clearance of the bill for its consistency with the program of the administration.

Therefore, the report will be forthcoming today indicating that it is the Department's views and it has not been cleared through the entire administration.

In the judgment of our personnel who have worked with the growers, the bill, with the changes recommended, would provide a workable and a better program for peanuts that would tend to accomplish the objectives expressed earlier, that is, to maintain and improve farm income, to reduce program costs, and to provide an adequate supply of peanuts at prices fair to producers and consumers.

Mr. Chairman, that is my testimony and I have people with me who can respond to any questions you may have.

Mr. O'NEAL. Thank you, Mr. Godfrey. I would say in your usual manner you have stated the matter very clearly. You have made it easier, for those of us who are not too familiar with some of these terms, to understand.

I notice that you point out that the present law fixes the minimum national allotment at 1,610,000 acres. Does this minimum national allotment stay in the law?

Mr. GODFREY. Yes, sir, it would remain in under this proposed legislation.

Mr. O'NEAL. Of course, the producer would be encouraged to reduce his acreage but this national allotment would stay as it is in the law.

Mr. GODFREY. It would remain as it is, and the incentive to reduce the planted acreage would be the increased support available.

Mr. O'NEAL. One of the other items on which the present law is based is the requirement for the Secretary to quote the price between 75 percent and 90 percent of parity.

I see on page 9 of your statement that you recommend that this come out.

Mr. GODFREY. We recommend a change. We wouldn't change the total support to the growers, but in order to encourage the growers to participate and therefore make the program more effective, we recommend that the loan level be set at 70 percent instead of 75 percent. There would be added to that the percentage that would be covered by certificates. This would encourage farmers to participate and reduce their acreage.

Mr. O'NEAL. What would the farmers' parity be? What would the minimum be under this bill?

Mr. GODFREY. As we propose a change, the minimum would be 70 percent of parity now; is that right?

Mr. O'NEAL. Which is still 75?

Mr. GODFREY. Which is still 75. Under the bill as written, there would be added 1 percent of parity for each 2 percent that the Secretary recommends as a reduction in acreage. In other words, if he recommends a reduction 10 percent in acreage, it would add an additional 5 percent in certificates and total support would go to 80 percent.

Mr. O'NEAL. Now, the farmer is entitled by law to support at 75 percent of parity now, is that right?

Mr. GODFREY. Yes, sir.

Mr. O'NEAL. Now, suppose he elects not to participate in this? What would his parity be under the new bill?

Mr. GODFREY. The way we propose it, it would be 70 percent. He would be eligible for loans only.

Mr. O'NEAL. In the bill as now written it would be 75.

Mr. GODFREY. It would be 75.

Mr. O'NEAL. You propose to lower that man down to 70?

Mr. GODFREY. Yes; because we need to reduce the overall production of peanuts. I think it is a proven fact on what farmers have been growing over recent years that they might continue to grow at a 75-percent loan level, so we need some encouragement to get them into the program to reduce their acreage.

Mr. O'NEAL. You don't think he has enough encouragement in the bill itself by getting the certificates?

Mr. GODFREY. We are afraid there is not enough, Mr. Chairman. Therefore, we suggest the reduction to 70 percent on the loan level.

Mr. O'NEAL. You say one of the purposes of this bill is to reduce Government costs. Are you convinced that this bill will reduce the Government cost?

Mr. GODFREY. Yes, sir; we are. Our economists have made detailed studies and it will reduce Government cost. It will not eliminate Government cost.

Mr. O'NEAL. Do you know any of the other agriculture programs that do?

Mr. GODFREY. No, sir; not at the present time.

Mr. O'NEAL. There was a time when pine gum made a profit for CCC.

Mr. GODFREY. There was a time when even cotton made money, believe it or not.

Mr. O'NEAL. You speak of the Government cost of the peanut program. You say it has gone up fourfold over the past 10 years. What percentage of the total value of the crop is it now, do you know?

Mr. GODFREY. A rough calculation would be about 19 percent.

Mr. O'NEAL. How does this compare with other programs?

Mr. GODFREY. Other programs fluctuate from year to year. At the present time, for the current year, rice and tobacco are the least costly of all commodity growth.

Mr. O'NEAL. Tobacco was very costly until the acreage-poundage program came into effect.

Mr. GODFREY. We have never lost any of the principal on the sale of a single pound of tobacco.

Mr. O'NEAL. What about wheat?

Mr. GODFREY. In the wheat program we must determine first how you project your cost. If you are going to charge all of the cost of Public Law 480 to the wheat program—that is, shipments under title I and donations under title II—the wheat program cost would run as high in some years as 50 percent. If you do not charge these against the farm program or against the wheat program, so to speak, the cost of the wheat program is less than the 19 percent now because of the collection of certificates from the processors of domestic wheat. The fact that the wheat that is sold into world trade is priced at world price levels—

Mr. O'NEAL. Whether you charge it to the farm program or not, it can still be charged to the Government.

Mr. GODFREY. Yes. If you charge these donations; yes, sir, it would be.

I was speaking on peanuts only to the cost of diversion. I was not including—as I was not including in wheat—the cost of peanut butter that is distributed through the school lunch program and peanut butter and products that are distributed through the food distribution people to the needy people.

Mr. O'NEAL. How does the cost of cotton compare with the wheat and peanuts?

Mr. GODFREY. Again cost is a relative thing. For the last 2 years, if you are talking about necessary expenditures—if you are disposing of stocks of cotton, you have these receipts that come in to offset the payments that you are making to farmers. As a result, the cotton program,

on a net basis for the last 2 years, net expenditures were between \$300 to \$350 million and the total value of the average normal crop of cotton and cottonseed is somewhere in the neighborhood of \$2.2 to \$2.5 billion. So in the last 2 years the net expenditures have been about 15 percent.

Now, prior to that time the cost of the cotton program ran as high as 33 percent.

Mr. O'NEAL. The problem with peanuts is that it is not so high now, but the trend is upward?

Mr. GODFREY. This is the real problem. The yields are increasing much faster than consumption. As the yields increase—and since peanuts are not really a storable commodity, but more or less a perishable commodity—we take the surplus peanuts under the price-support program and we sell them either for oil, or for export. We get about half out of them what we pay for them.

Mr. O'NEAL. Getting back to the farmer himself now, under this bill what do you think it will do in the way of affecting farmers' net income?

Mr. GODFREY. The farmers' net income would be improved, particularly those who participated.

Mr. O'NEAL. This is voluntary?

Mr. GODFREY. It would be a voluntary reduction.

Mr. O'NEAL. But in your judgment the farmer would be wise and he would increase his net, if he participated?

Mr. GODFREY. This is right, sir, because, after all, he has an interest in maintaining the program on a sound basis and if he reduces his acreage he doesn't have the expense of growing that acreage. Yet he is receiving certificate payments which would not equal the total value of the peanuts, but would offset—

Mr. O'NEAL. This is something each farmer would have to decide for himself?

Mr. GODFREY. This is right.

Mr. O'NEAL. And it will vary depending on his present operation?

Mr. GODFREY. That is right. Depending on his land, his equipment and his available labor.

Mr. O'NEAL. Now what will it do to the farmer's gross income?

Mr. GODFREY. A farmer that participates in the program to the maximum extent would have less gross income but more net because he would not have those expenditures for growing that acreage that he takes out.

Mr. O'NEAL. The farmer who does not participate presumably would stay where he is?

Mr. GODFREY. Under the bill as now written. Under the proposal made by the Department, he would come down a little.

Now, his gross income might go up as a result of the increased yields. The Department's estimate committee believes that yields will continue to increase at the rate of about 75 pounds per acre. So if he grows the same acreage, and because parity is gradually going up also, his gross income would go up to the extent that parity goes up and his total production goes up as a result of increased yield.

Mr. O'NEAL. As I understand it, your statisticians in the Department have been working very closely with those who have been concerned with this problem and who have been trying to work out an acceptable bill?

Mr. GODFREY. Yes, sir. The growers are to be commended for the efforts that they have put forth in trying to draft satisfactory legislation. I know from personal knowledge that they met many weekends because they couldn't find other times to spend away from their work at home. Our people in the Department have tried to be of assistance as much as they could in working with them. It has been a cooperative effort. We have been in an advisory capacity primarily. The growers have done most of the work, along with the help they have gotten from the Extension Service and from the universities, the land-grant colleges. They have attempted also to get agreement from the shellers and from the manufacturers.

Mr. O'NEAL. I notice you do not have an official position of the Department. This is developed on page 9. It is principally due to the factor of time?

Mr. GODFREY. Time has been an element. We have a report, as I indicated, that will be coming over today, stating the Department's views.

Mr. O'NEAL. That is what I intended asking. When do you expect a report?

Mr. GODFREY. The report will come over today stating the Department's views. Rather than the usual last paragraph which concerns, Bureau of the Budget clearance, it will state merely that time has not permitted us to get official clearance throughout the Government. These are the Department's views, as I have presented them this morning.

Mr. O'NEAL. Thank you.

The Chair is very happy now to yield to the gentleman from Texas, Mr. Purcell, the author of the bill, and a very distinguished member of the subcommittee.

Mr. PURCELL. Thank you, Mr. Chairman. I have no specific questions at this time. I might ask one question, however.

Mr. Godfrey, you have gone over these proposals of the Department with the growers, I take it?

Mr. GODFREY. Yes, these were discussed in our meetings.

Mr. PURCELL. And there has not at this time been an agreement reached between the Department people and the grower representatives?

Mr. GODFREY. No, sir. I can truthfully say also that there has not been disagreement. Each has respected the other's views.

Mr. PURCELL. I think that is all I have.

Mr. O'NEAL. Mr. Wampler.

Mr. WAMPLER. Thank you, Mr. Chairman.

I have no questions on the bill before us this morning. The House has expanded the food stamp program, or will, I assume, and also our school lunch program, and the commodity distribution program. It would certainly be my hope that in orderly fashion we can move more peanut butter and peanut products into these programs because certainly it is of high nutritional value. I think it can do a great deal to help solve this dilemma that we are in. I know the committee is willing to work with the Department in any way it can to bring that about. We are certainly willing to cooperate.

Mr. GODFREY. Thank you, Mr. Wampler. I might add that we are at the present time putting the maximum amount of peanut butter into

the food distribution and into the school lunch that our technicians tell us that they will absorb.

Mr. WAMPLER. I will just say this: If every home in America consumed as much peanut butter as mine, we wouldn't have any problem.

Mr. GODFREY. The same thing applies in my home.

Mr. O'NEAL. While we are on that same subject, why do we see so little peanut products in the Public Law 480 program?

Mr. GODFREY. This has been looked into on many occasions. Here we do have a public relations problem, as well as a real technical problem.

I stated that the world price of peanuts is approximately one-half of our price-support level. So when you start putting peanuts into the Public Law 480 program, that could be acquired in the world market at half their price, I think you would run into a public relations problem.

Mr. O'NEAL. I notice the very distinguished chairman of the full committee is here, Mr. Poage. Have you any questions?

Mr. POAGE. No questions, thank you.

Mr. O'NEAL. Mr. Abbitt?

Mr. ABBITT. I would like to commend the chairman on the splendid job he has done in bringing out the important parts of the testimony.

I notice on page 7 you say, "In our judgment this level should be reduced to 70 percent."

In other words, you are pointing out parity is now 75. You say this level should be reduced to 70 percent parity.

Do you think it is necessary, where a producer will not cooperate, to reduce that parity?

Mr. GODFREY. Let me put it this way: We feel that since they are planting the full acreage allotment now at 75 percent of parity, that the majority of them would continue to do this.

Mr. ABBITT. Even though they are going to get more take-home pay?

Mr. GODFREY. We are afraid that a considerable number would not avail themselves of the right to reduce their acreage, so we would like to encourage a maximum number to reduce their acreage. We believe this can be done by dropping the loan level to 70 percent and increasing the certificate value by the 5 percent. They come out the same way but it would encourage them to reduce their acreage.

Mr. ABBITT. You think it is going to require that encouragement, however?

Mr. GODFREY. This is our feeling; yes, sir. There is some difference of opinion among the growers and the Department on this. We have had considerable experience in administering programs and creating incentives to get producers to participate and we believe there is an absolute necessity here to get the maximum number to participate in reducing acreage.

Mr. ABBITT. What, in your opinion, should be the maximum number? You don't contemplate all of them?

Mr. GODFREY. We would contemplate at least 80 percent of the growers or 80 percent of the acreage would be covered each year by the voluntary reduction in their plantings.

Mr. ABBITT. So that would reduce the cost?

Mr. GODFREY. Yes, sir.

Mr. ABBITT. I know everything is just an estimate, but what percentage do you think you would get if you left the parity at 75?

Mr. GODFREY. I don't really know.

There is another factor here that has a bearing on this that I might point out. If you leave it at 75 and you do not get the participation that you want the first year as a result of it being at 75, then it means that the Secretary in subsequent years is going to have to set his goal of reduction greater than he would have if he expected 80 percent to participate. If he gets only 50 percent reducing acreage, then the goal would have to be lower than it would if you got 100 percent. We feel all producers should share in this reduction rather than letting it be a burden on just a few.

Mr. ABBITT. Are you proposing 80 percent of parity?

Mr. GODFREY. The basic law now permits the Secretary to set the price-support level at between 75 and 90 percent of parity, taking into consideration eight factors that are outlined in the act itself.

I am sure that you are quite familiar with the overall reduction in expenditures that has been placed upon the Government. We do not know yet how much of this the Department of Agriculture will have to absorb. A 5-percent increase in support level this year would cost around \$6 million. Six million dollars is not to be sneezed at. True, it would increase farmers' income. There is a companion thing that goes along with this. The users of peanuts—our customers—indicate this would be too rapid an increase in what they have to pay for peanuts and that it might hurt overall consumption. So I think this one needs careful study.

Mr. ABBITT. You are not at this time prepared to recommend it be increased to 80 percent? That is, as of today you are not quite prepared?

Mr. GODFREY. No, sir. I think the Secretary's statement was very clear—and that is the reason I included it in my statement—if constructive legislation were enacted, that he would do something on the price-support level. He never made a definite commitment as to what he would do, but he said, "I would look more favorably on it."

Mr. ABBITT. I was interested in the questions the chairman asked regarding the percentage of cost. The information I had was that the percentage of cost of peanuts for the 1965 crop was 16 percent. You are talking about the Government estimate, I am sure, because the 1966 crop was 16 percent, but I understood the cost of the program for 1967 was estimated at \$56 million when, in fact, it wasn't nearly that much and the cost probably dropped about 14 percent plus, for 1967.

Mr. GODFREY. The cost for the crop of 1967 was not as high as we had estimated it would be. Two or three factors go into this. Of course, we make estimates fully 6 months before the crop is ever planted. For budgetary purposes, we will be making estimates in September for next year's crop before it is ever planted.

Sometimes the crop turns out as we expect it to turn out. Sometimes the consumption is a little higher than we expect and there are many factors which will affect the ultimate cost.

Mr. ABBITT. Isn't it true that the cost for 1967 will be approximately between 14 and 15 percent?

Mr. GODFREY. I would have to review the actual figures. They don't come to mind right now. We can supply this for the record.

Mr. ABBITT. I wish you would do that.

The estimate was 19 percent and there was a reduction in costs.

Mr. GODFREY. We will be glad to supply the actual percentage at this point.

(The information requested will appear in the record at this point :)

Estimated CCC realized net loss—1968 fiscal year

Realized net loss (approximately)-----	\$43, 000, 000
Value of production-----	\$283, 000, 000
Loss as a percentage of value of production-----percent--	15

Mr. ABBITT. I believe that is all.

Mr. GODFREY. Mr. Chairman, representatives of the Department will be here throughout the hearings available for answering questions.

Mr. O'NEAL. There is one more question that I have. If this bill becomes law before we adjourn—say August 3—the price support loans for the 1968 crop will be 80 percent of parity?

Mr. GODFREY. If the bill becomes law, as now written; yes, sir.

Mr. O'NEAL. That would be in time, would it? I mean by August 3?

Mr. GODFREY. Some peanuts will start moving around August 1 and it would be in time for practically all producers. There would be some in your area and probably some in other areas that would move to market around August 1. It depends on crop conditions altogether, but it would be generally in time; yes, sir.

Mr. O'NEAL. Thank you, Mr. Godfrey. Now we will hear from Mr. R. G. Daniell, Mr. Bill Rawlings, and Mr. Floyd King.

I notice these gentlemen are some of the growers who have worked very hard on this matter in close cooperation with the Department of Agriculture over a number of months. Mr. Daniell is from Georgia. He is not my constituent. I wish he was. He is a publisher of the Metter Advertiser of Metter, Ga.

Mr. Rawlings and Mr. King are no less interested in this matter and have spent a good part of their lifetime with peanut problems.

Mr. Rawlings is executive secretary of the Virginia Peanut & Hog Growers Association of Capron, Va.

Mr. King, I don't have your title.

Mr. KING. Oklahoma Growers Association and representing the Southwest area at the present time.

Mr. O'NEAL. Mr. Daniell, I will call on you first and let you proceed. Do you have a written statement?

Mr. DANIELL. I do not, Mr. Chairman.

Mr. O'NEAL. With proper concern for the time of those following, we will be glad to hear from you.

**STATEMENT OF R. G. DANIELL, PUBLISHER, THE METTER
ADVERTISER, METTER, GA.**

Mr. DANIELL. Mr. Chairman and gentlemen, I am R. G. Daniell. My primary interest in southeast Georgia is agriculture. Peanuts is a major part of my individual operation and in my county in Texas.

I am the chairman of the Georgia Farm Bureau Legislative Committee, and I speak for the Georgia Farm Bureau and the position I take is the position of the Georgia Farm Bureau in relation to this bill.

We support the bill as it is written. Mr. Rawlings, Mr. King, and myself were selected from the three areas by the producer representa-

tives to go into this and write what we thought would be to the best interests of the growers and the consumers and the Department, or rather the Bureau of the Budget maybe would be better—it would be a better expression.

We believe it does the three things that were set out by the Secretary in the February 7 meeting, that it will reduce the cost to the Treasury; that it does give an adequate supply of peanuts at a fair price and that it will increase the net income to the producer.

We have spent a great deal of time, as you mentioned, Mr. Chairman, going into this with the Department people and with people with our colleges of agriculture who have given us a great deal of help.

We support the bill as it is written. We would like very much to see it passed. This mention a moment ago of the increase in production being greater than the increase in consumption is proof of the pressure the growers are living under to try to make ends meet in the production of peanuts. We have had no increase in peanuts since 1961 except that increase that came about by the increase in parity which, of course, only keeps you level with your production cost.

Now, Mr. Rawlings will make a more detailed statement about some of the points that have been raised. I will say that the things Mr. Godfrey has proposed would, after just hearing the statements, without even following the text with a copy—I did not have a copy of his statement—would leave us about where we are at the present time, or we could be worse off than we are at the present time, living under the present bill. Unless we can improve our position, we see no reason to try to get legislation enacted.

We believe the bill, as it is written is a good bill and the Farm Bureau of Georgia endorses it without any reservation and urges its passage.

Thank you.

Mr. O'NEAL. Thank you, Mr. Daniell.

I would suggest to the committee that we hear from Mr. Rawlings and Mr. King and then we will ask questions of either one of the three.

Mr. Rawlings, we will be glad to hear from you.

STATEMENT OF W. V. RAWLINGS, EXECUTIVE SECRETARY, VIRGINIA PEANUT & HOG GROWERS, CAPRON, VA.

Mr. RAWLINGS. I am accompanied by three other fellow Virginians and I would like to have them close by here. I will identify them a little later.

Mr. Chairman and members of the committee, my name is William V. Rawlings of Capron, Va., and I am executive secretary and general counsel of the Virginia Peanut Growers Association, Inc. I have been associated with this Virginia grower group for 19 years.

I am appearing today on behalf of the Virginia Peanut Growers Association whose membership includes all of the peanut growers in Virginia with an acreage allotment in their name.

Virginia Peanut Growers Association supports H.R. 18145, H.R. 18213, and H.R. 18376. When I say we support the bills, we support them as introduced and without amendments that were not brought to our attention until a few minutes ago.

Our growers have been intensely interested in this legislation from the start and urge that this bill be given prompt and favorable consideration.

Peanut growers have received no significant upward adjustment in price to offset the continuing increase in production cost since 1961. Each year since 1961 growers have urged the Secretary of Agriculture to grant a price support increase but without success. The cost price-squeeze has been worsening each year for growers.

On February 7, 1968, grower representatives from all three major producing areas met with the Secretary and a number of Members of both the House and Senate and again pointed out the urgency of an upward adjustment in the price support level for the 1968 crop. The Secretary expressed understanding of the problems confronting growers but made it clear that unless growers got together, developed, and supported legislative action that would improve farm net income, reduce the cost of the peanut program to the Government and assure an adequate supply of peanuts, there was no realistic hope for any improvement in the price support level for the 1968 crop.

Immediately thereafter, approximately five growers from each of the major peanut-producing States began a series of conferences with USDA officials and other segments of the peanut industry in an effort to arrive at such a legislative package. Some of the group, including myself, spent approximately 60 days in Washington on the proposal that is now before the committee. We are gratified that the grower leaders in all major producing States reached unanimous agreement in this difficult assignment and the bills now before the committee do accomplish the three objectives set forth by the Secretary on February 7.

Our board of directors unanimously supports the enactment of this legislation.

Our growers are immediately and intensely interested in the provision that will set the 1968 price support level at 80 percent of parity. Compared with 1967 price levels, this will add a badly needed and overdue \$25 million to the net income of peanut growers.

I want to emphasize just how modest this increase is. It will reflect only a total gross increase since 1962 of 11 percent or an average of approximately 1.5 percent per year since 1962.

I would point out that during the same period Government employees have had an increase totaling 28 percent for an average of 4.6 percent per year.

Further, gross hourly earnings of the nonagricultural labor force have increased 20 percent for an average of 3.3 percent per year for the same period.

In addition, the minimum farm wage has increased this February from \$1 to \$1.15 per hour, an increase of 15 percent. That is backed up by research in Georgia.

During the period 1962-67 all food costs are up a relatively modest 11 percent, while the cost of peanut butter has gone up only 3 percent to consumers.

Comparing the period 1955 with 1966, the same ton of peanuts was supported in 1966 at \$32.64 a ton less than the same ton of peanuts (grade-factors) was supported in 1965, a good portion of this has been occasioned by the 3-year moving average of grade factors which each

year has tended to require a producer to produce a better quality peanut than was the case the year before in order to get the same dollar return.

The bill continues support to producers at the minimum level of 75 percent of parity and does not change the national minimum acreage allotment. It accomplishes its objectives by providing for a certificate program under which peanut buyers will purchase from CCC certificates having a value of 5 percent of parity beginning in 1969. For 1968, the support level to producers will be increased to 80 percent of parity under the present program without the use of certificates.

The income from the sale of certificates by CCC will be used to encourage producers to adjust acreage downward to desired levels and to add to the net income of farmers who make such adjustments. To accomplish this, certificates will be issued to producers who adjust their production downward to a level recommended by the Secretary of Agriculture. The value of the certificates to producers will be not less than 1 percent of the parity price for peanuts for each 2 percent by which the Secretary recommends that farmers adjust acreage downward.

After 1969 the value of certificates to buyers may be increased by the Secretary by not more than 1 percent of the parity price in any year but not above 15 percent of the parity price in total.

The recommended adjustment of acreage downward cannot exceed 15 percent of the present allotments in 1969 and thereafter cannot exceed an additional 5 percent of the farm acreage allotments in any year.

Provision is made to assure adequate additional incentives for producers of a particular type of peanuts so as to provide an ample supply of each type of peanut.

The need for the bill comes out of the urgent need of farmers for some increase in prices to offset the continued increase in production costs and the need to check and reduce the costs of the program to the Government.

Growers who adjust their production down so as to reduce the surplus will receive a better price, thus increasing their net margin which has been reduced in recent years by increasing costs of all the production factors on farms. While the gross income on farms from peanuts will not increase as rapidly under the program provided by the bill as it would under the present program, the net income to farmers who take part in the program will be increased.

Consumers are assured by the terms of the bill of a continued adequate supply of good quality peanuts. The increase in prices to farmers proposed by the bill is moderate and will mean continued availability of peanuts to consumers at fair and reasonable prices.

We respectfully and strongly recommend that this legislation be given prompt and favorable consideration.

I thank you.

At this time, Mr. Chairman, if I could identify Mr. Theo Beale of Franklin, Va., who is a member of the Secretary's Peanut Advisory Committee and a very substantial peanut producer in his own right.

Dr. Paxton Marshall, agricultural economist with the extension service of our land grant university of VPI.

Mr. Russell Schools, also an agricultural economist with the extension service in Virginia.

I would say that all three of these gentlemen have been present on most of these days I referred to since February 7.

We have been most fortunate in Virginia and several other States in having available to us the very excellent resources of the very outstanding agricultural economists from our land grant universities. They have given us a great amount of assistance as we sought to develop the proposal now before the committee. They are here in case we get into some of the technical questions and they can maybe more properly answer them than I could.

Mr. O'NEAL. Thank you, Mr. Rawlings. You have made a very good case for the peanut farmer. We would be delighted to have your co-workers with you, and receive recognition for what they have already done, and answer any questions if the committee has any.

Before we begin the questions, I would like to ask if Mr. King would like to make a statement.

STATEMENT OF FLOYD KING, EAKLY, OKLA., PRESIDENT OF THE OKLAHOMA PEANUT GROWERS ASSOCIATION

Mr. KING. Thank you, Mr. Chairman.

First of all, it is rather unique for a producer of peanuts from Oklahoma that we have the opportunity of appearing before the subcommittee on Agriculture.

I must say that in the light of this the comments I would make—I would not make them in such a way that I would wish them to be taken lightly—that we are dead serious and we must make it crystal clear that these things that we propose have not been shot from a gun barrel, but that we have deliberated, as these people have indicated, many days and many hours. I must say also we take some measure of humility within ourselves whenever we make this statement, that we are speaking for a nation of producers, who are a segment of our economy; that in our own minds have had their income depleted through being victim of circumstances, as well as through failings on the part of our own industry to unite and go forward from an economic standpoint.

In my initial statement I must say that my address; that is, my business address is Highway 152, South, Eakly, Okla.

My full name is Floyd L. King, president of the Oklahoma Growers Association, president of the Caddo Area Growers Association, and now speaking on behalf of 29,000-plus producers in those States producing peanuts west of the Mississippi River, including Louisiana, Arkansas, Texas, Oklahoma, New Mexico, Arizona, and California.

Producers have elected these representatives in such a manner that they feel like the words of these representatives should not be taken lightly, and that furthermore they are behind these statements.

I have been a producer of peanuts for a number of years, and a leader of producers for some 10 years. In the years past the peanut producers of the Southwest area, together with representatives of the other areas, have made repeated requests for some measure of relief as to the price of peanuts received by the producers.

In general we have been unsuccessful in these endeavors. We, as a result, have been frustrated and discouraged to the extent that many producers have become adamant and no longer desire to float along at a leisurely pace while they continue to pay increased prices for

every conceivable item used in the production of peanuts. I must stress this point even more forcefully than perhaps you would expect me to, because we had to live with these people. This means more than existence, and it is rather difficult for any representative of any producer group to spend 60 days up here working out a peanut program and go back and say we were unsuccessful, because this is the climax of tremendous grassroots support. This was conceived from small grower groups located, I might say—and I point this out rather vividly—in small sections of the community in which we produce these peanuts.

It started as community meetings, moved to county, regional, State, and then embodied the entire Southwest area.

We realize also, and must perhaps emphasize that this happened in the other areas producing peanuts. There are expectations on the part of producers that something is going to happen that will give them relief as a result of these efforts. There is really no use, I don't think, to go into the details of this bill because as Mr. Godfrey and others have stated, this bill was written by the producer representatives with the great and wonderful help of the Department. These people came from the universities, extension divisions, and so forth. Therefore, let the bill stand as it is, as those things that the producers desire to have in a program.

I do not necessarily take issue with Mr. Godfrey's statement relative to the things that he would like to have included in the bill and the amendments thereto, but I must say this: We stand on the bill exactly as it is written. We are for it, and we are sincere in our desire to stand on our own two feet and be able to say this in such a way that somehow, Mr. Chairman, we might be able to project into the minds of you people and those people who are listening to us, including the manufacturers and the shellers and those people that we speak the positions of, that we do expect some relief, and not sit back and leisurely take a whipping on this as we have taken in the business world in which we have been living.

I might say also that we would not take lightly, but would react swiftly and hopefully effectively toward any group who might be able to initiate a move to create a condition in this bill where the producers would remain static or fail to move inward in the economic world that we live in.

I also have some people from my area that would upon a second's notice be willing to speak to this committee and be willing in such a way to use those words that would be most effective, if you had time to hear them. I might at this time make this statement, that Mr. Barton Scott, if he would stand behind me, is going to make a short statement, if you will permit, before this hearing is over with. He is the director of the Southwest Peanut Growers Association and has been for some 10 to 15 years, and is no less respected than anyone who is a leader in this peanut industry. Mr. Clint Williams represents the chairmanship of the Oklahoma Peanut Commission. I might say while I am commenting upon this, that the Oklahoma Growers Association in an effort to help the cost-price squeeze picture developed a self-assessment program of our own, and it took some 7 years to do this.

We have been contributing a dollar a ton into this commission from which we pay those bills relative to research in the promotion of peanuts to help us simply make a little money on peanuts.

We also have Emil Larsen who is a director of the Cattle Growers Association, and Jack Coppage, who is the vice president of the Oklahoma Growers Association.

We have Mr. Stacy who will make a statement relative to the Farmer's Union but is also a producer from south Texas; also Mr. Johnnie Rollins who is the director of the Southwest Peanut Growers Association.

I hope I have not forgotten anyone within this group.

In conclusion, we thank you very much, and we are sincere in offering these thanks to those people from the Department, especially Jim Thigpen, Tom Odom, Joe Davis, Mr. Godfrey, and those people who have assisted us in such a way that it has been constructive in producing the draft of this bill. Also to the various people who in Congress here have been friends of ours and who still are. But we must conclude with this statement. I would like to reserve the right to rebuttal if the committee would allow it as this hearing proceeds.

We thank you for your time. We are for this bill. We do not want the amendments Mr. Godfrey has offered. At the same time I must conclude that he is correct whenever he says we are not at odds with him because we have spent many hours with him.

Thank you very much.

Mr. O'NEAL. Thank you very much, Mr. King. We appreciate your statement.

We are glad to have these other gentlemen with us.

I notice on the schedule that all or most of them are scheduled to testify tomorrow.

Mr. DANIELL. Mr. Chairman, I would like to point out that we will have from Georgia quite a large delegation for tomorrow's session of the hearing.

Mr. O'NEAL. Very well. There are two other men on today's schedule who have worked along with you gentlemen. I do not know whether we have a seating problem at the head table. Maybe it would be well for Mr. Sugg and Mr. Naman to come up now. Would the members of the committee like to hear them before you begin asking any questions?

We will stop right here and Mr. Purcell is recognized.

Mr. PURCELL. It is really to comment again more than a question.

I think, gentlemen, all of us are very, very aware, maybe not in every detail, of what the peanut growers' figures are in relation to parity or net income. We are most aware of the farmers' problem in regard to this price-cost squeeze situation. I would only point out to you as far as I know you people represent the most dedicated and effective effort that a producer's group has shown. To me the most grievous error we in the Congress, trying to represent the products in various commodities, have made; and I think just as gross an error has been made by producers themselves, is not fully realizing other producer groups' problems, and particularly the nonproducer's problems. I notice, and with great pleasure, Mr. Daniell, that you are here and you say you represent the Farm Bureau. I won't take the time to tell you all of what I think of the Farm Bureau, but you can draw a thumbnail description of it very quickly.

Mr. DANIELL. The Georgia Farm Bureau was the statement I made and not the national.

Mr. PURCELL. I wish you would get some influence on somebody other than Georgia or change your name, because I think either direc-

tion would be helpful. We are sitting here now with a real threat of not being able to continue the other type farm programs for even 1 year, and I can assure you that if that fails your peanut program is on its way out this year and next year. This is the message I want to give you.

Mr. King, I am most impressed with your sincerity and with the obvious work you have put into this. We must have all the producer categories working together—not just peanuts, but wheat, cotton, cattle—all of them. The cattle people like to say they do not take any Government subsidy. They are the most fortunate people on earth because they sit just outside and benefit from the feed grain program and then can be very holy about it. I hope they are catching on that we all have to sink or swim together.

While you people are here, I would like to impress on you that unless we get votes to continue each of the farm programs, the days are numbered for every one. Some of you here are carrying around a book that shows how tremendous the payments to farmers are. You can carry the book all you want to, but if you do not realize that the programs are necessary to have the big producers in just as well as the small producers, you do not understand what is going on.

I would like to solicit your support, as you have solicited ours, to help across the board on the producer's problems. In spite of all your difficulties, the peanut growers, I think, are a little bit better off than other producers, even on an investment/cost ratio and on parity.

This has done nothing maybe to add to the knowledge of today but I want to be interpreted as being just as sincere as I know you men are, and particularly Mr. King. We have got to do better than we have been doing, or we are all going to be out of business in the sense that we now see it.

This includes understanding the city people's problems, the cotton people's problems, the sorghum growers' problems, wheat growers' problems, all of them.

I cannot emphasize that you gentlemen should continue what you are doing and to broaden your influence on those who do not now have the sense to see what is going on or are so dedicated to the political demise of someone that does not agree with them totally that they are willing to see the producers of America go down the drain.

Mr. King, if I have a chance to rebut anybody here I will take after them.

Mr. Chairman, that is all I can think of at this time and I appreciate the opportunity to say it.

Mr. DANIELL. Mr. Chairman, may I say one word to Congressman Purcell. He mentioned the cattle people. I am vice president of our State cattlemen's association and I assure you, sir; that we are catching on.

Mr. PURCELL. That, too, is a problem.

Mr. O'NEAL. The Chair will recognize Mr. Gathings, the gentleman from Arkansas and the vice chairman of the full committee.

Mr. GATHINGS. Mr. Chairman, I was attending another meeting this morning and I am sorry I did not get to hear Mr. Godfrey. We do not grow peanuts in Arkansas and particularly that part of Arkansas in which I live. I just wondered now what is the average acreage of the peanut growers in your area, Mr. Rawlings.

Mr. RAWLINGS. Did you say in the county or State?

Mr. GATHINGS. The individual grower. How much acreage would an individual grower require in order to make a livelihood? First, let me ask you this: Is he engaged in the production of tobacco as well as peanuts? Does he have also a cotton acreage allotment? Does he have sorghum? Does he have wheat, corn, or is he a straight-out peanut grower?

Mr. RAWLINGS. Sir; he is not a straight-out peanut grower in any State or area of a State, but the combination of crops that the peanut grower would be growing in addition to peanuts varies quite widely even within certain sections of the major peanut producing States.

In Virginia, for example, we are just on the fringe of the tobacco area. Our major peanut producing counties have practically no tobacco. It is primarily corn, livestock, and peanuts and some soybeans and some small grain.

Mr. GATHINGS. So your farmers do not depend wholly on their income from the peanut operation.

Mr. RAWLINGS. That is correct.

Where the major production is, of course, it is the major economic factor in the farm income. There are other areas where it may be tobacco or something else, but speaking particularly of Virginia, we are in a very compact producing area there. It involves only eight major counties.

Mr. GATHINGS. So there are instances where you do have a tobacco, peanut, cotton allotment all working together on the same farm?

Mr. RAWLINGS. That is right.

Mr. GATHINGS. What is the condition of the supply of peanuts and the production?

Mr. RAWLINGS. The situation on supply with the minimum national allotment of 1,600,000 acres, the facts are that peanut producers through the use of new technology, have been able to increase yield per acre on the same fixed acreage faster than we have been able to increase consumption. So our supply situation is showing a trend of a little more out of balance in supply each year.

That is one of the major reasons that pointed up the necessity for the legislation that is now before the committee. One of the facts that was set forth by the Secretary of Agriculture at the meeting on February 7 was to come up with a program that would reduce Government cost. Among other factors we are interested in that. We are interested in improving farm net income and interested in assuring an adequate supply.

Mr. GATHINGS. Let me ask you this, Mr. Rawlings, just for the record. It would be interesting to folks that know very little about peanuts. Is there any great difference between peanuts grown in Virginia and the peanuts grown in North Carolina, the peanuts grown in Georgia, and the peanuts grown in Florida.

Will you give us a little résumé?

Mr. RAWLINGS. I would say we have three major producing areas. In the Virginia-Carolina area, which is primarily Virginia and North Carolina, with some acreage in South Carolina, they produce what is known as the Virginia-type peanut. That peanut has its major end use in salted peanuts. In the Southeast area, where primarily the biggest producing States are Georgia and Alabama and some

in Florida, they produce two varieties of peanuts—the runner variety and the Southeast Spanish. Those peanuts are also used for salting but their primary end use is peanut butter, and the Spanish goes quite a bit in peanut candy.

In the Southwest area, the major States being Texas and Oklahoma, they produce the Southwest Spanish which has substantially the same end use in the trade or consuming use as the Southeast Spanish produced in the Southeastern area. So you have those four basic types of peanuts that are produced in three major producing areas. They all have a favored trade use, I would say.

Mr. GATHINGS. I appreciate you giving me that information. I have heard these gentlemen who are so vitally concerned about peanuts over the years speak about peanuts and problems affecting their industry.

Are you doing anything, Mr. Rawlings, to organize, to get your three areas together? Are all three areas together on this legislation here?

Mr. RAWLINGS. Yes, sir. I would say that is an intangible that we have gotten out of these 60-some days of labor in Washington.

On a major issue of this type it is the first time in my 19 years associated with peanut growers all three areas have been unanimous. As much as we are interested in this bill, and its favorable consideration, if the worst should happen, I think there is a terrific intangible benefit that has come out of the growers through some reasonable give and take and understanding of some other problems in the area—we do have certain competitive situations between areas and types which have been put in the background—we are together. I don't know of a representative that would be up here at the grower level that does not echo that, sir.

Mr. GATHINGS. We folks that come from the strictly cotton area are so vitally concerned about two things: We want to do a lot of research to find new uses and to do a better job of promoting our product. We want to sell more cotton. We have come up with a plan that is working fine, whereby the grower will put up a dollar a bale every time he gins a bale of cotton. He can get the money back if he so desires. They use these dollars for promotion and research.

The program was so badly needed in order to meet competition.

Do you have any feeling with regard to a program of that kind for peanuts?

This is a voluntary plan.

Mr. RAWLINGS. I would say, Congressman, since 1948 in Virginia we have had a similar checkoff or deduction at the point of first sale for promotion, research and things of interest to the peanut producer. A good part of it has gone for research. North Carolina, under State commodity legislation, has a similar program. Georgia has one. This brings close to a half million dollars a year. This is all at State level—also Alabama and Oklahoma. As I understand the cotton program we end up with the same objective but ours has been done under State commodity legislation in the case of peanuts.

Mr. Daniell was very familiar with it in the Southeast. I would like him to comment.

Mr. GATHINGS. It is far afield from the legislation being considered and I won't pursue that.

Mr. O'NEAL. I would assure the gentleman that we have a very active Georgia Commodity Commission for peanuts.

Mr. DANIELL. Incidentally, the Congressman from Arkansas would be interested that in a recent vote last February a year ago the peanut producers approved the dollar-a-ton checkoff by about 97 percent, I believe. That is how well the producers in Georgia—and Alabama is almost the same thing—think of this program for promotion, education, and research under those three heads that the money is spent.

Mr. GATHINGS. Are peanuts sales going along with the increased population in this country? Is there a greater demand today for peanuts per capita as against 10, 20, or 5 years ago?

Mr. RAWLINGS. Without being specific to the 10th of a point, I think it is correct to say that we are doing slightly better than keeping up with the increase in population. In other words, there is a very slight increase in per capita consumption. Of course, we are getting a larger increase in total consumption. But even with that, the application of new technology and improved production methods, and the results of our research we are increasing yield per acre faster than the increase in consumption.

Mr. GATHINGS. That ought to bring in a better return, too, if the price is stable.

Mr. RAWLINGS. All the herbicides and insecticides and things that we were not doing when we were getting lower yields cost considerable money. The production expenses are going up. These new production practices do not come free. If the new practices were free and we had this increased yield, we would not be up here today, sir. That is the problem.

Mr. GATHINGS. That is all, Mr. Chairman.

Mr. O'NEAL. Mr. Wampler.

Mr. WAMPLER. I have no questions, Mr. Chairman, except I would like to commend each of these gentlemen for their testimony and for their obvious sincerity and dedication. We appreciate your presence here this morning.

Mr. O'NEAL. Thank you.

Will you gentlemen make room for Mr. Sugg and Mr. Naman, please?

While they are coming to the stand, the Chair will observe that the gentleman from North Carolina, Mr. Fountain, is in attendance. We are delighted to have him. We know of his interest in this problem. We are very glad to have you, Mr. Fountain.

Mr. FOUNTAIN. Thank you, Mr. Chairman. I think it is more important that you hear these people. We are going to be here as long as we are required to be here, but I would like to ask permission at this time to include my statement in the record.

I am extremely interested and concerned in this matter and I join Mr. Purcell and others in introducing this legislation.

Mr. O'NEAL. Without objection the statement will be admitted into the record.

(The statement follows:)

STATEMENT OF HON. L. H. FOUNTAIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. Chairman, you have before you for consideration today legislation, (H.R. 18213) which would go a long way toward helping the peanut farmer remain an

effective, stabilizing force in our rural society while at the same time giving him some assurance that he can expect some reasonable economic return on his investment.

There are some peanut growers in my district in North Carolina who net far, far less on their crops than the Federal government considers the minimum income necessary to remain above the poverty level. In fact, if they didn't produce some of their own food, they couldn't survive.

This situation is not of their making. Like almost all our smaller farmers, they are trapped in the vice of inflation, low returns and falling parity. Caught up in all these forces beyond his control, the peanut farmer simply falls further behind each year.

Let me cite just a few figures furnished me by a peanut grower and friend of long standing whose word I haven't the slightest reason to doubt.

In 1955, he tells me, he sold his peanuts for \$244 a ton. Last year he got \$227. In 1955, he bought a farm machine at a cost of \$1,000. In 1967, he purchased a replacement, the same type, and had to pay \$2,800. In 1955, his farm labor cost between \$2.50 and \$3.00 a day. Last year it was \$7.00 to \$10.00.

These are only a few figures but I think they speak eloquently about what has happened to our peanut growers over the last few years.

Mr. Chairman, we want our farmers to remain on the farm, if they can. They are doing the job they know and like best. We need them on the farm. But, at the same time, we must provide the incentive and means whereby they can continue producing the foods and fibers our constantly growing population needs. They themselves must survive before they can produce.

H.R. 18213, of which I am a co-sponsor, is a considered, careful, and, I believe, workable approach toward providing that incentive and means. I'm sure it can be improved upon, but it's a sincere effort on the part of peanut growers themselves to stay in business and at the same time to reduce the cost of their program to the taxpayers.

Without going into detail on the technical aspects of H.R. 18213, which others will discuss in more detail, let me say that it represents the best thinking of those in the peanut industry and those in government who are aware of today's problem and the avenues available to reach and solve that problem.

Essentially, H.R. 18213 would provide incentive and reward to those who take advantage of it. It is intended to reduce the present cost to the government—always an attractive idea regardless of the program, and especially so to those not personally familiar with the specific needs relating to an individual program.

It is designed to insure an adequate supply of peanuts for our own people here in America and for what we hope will be a growing export market. It provides flexibility by which the individual grower can make the choice best suited to his particular situation.

In short, Mr. Chairman, H.R. 18213 is needed, is economical in nature and intent, and, in the opinion of the best minds of those who have worked to put it together, is workable. I respectfully urge the Subcommittee to give it prompt and favorable consideration so that we can devote our efforts to securing final passage before Congress adjourns.

Thank You.

Mr. O'NEAL. Mr. Joe Sugg is the executive secretary of the North Carolina Peanut Growers Association, and Mr. Jay Naman is president of the Texas Farm Union. I do know that Mr. Sugg has been involved in working together with all sections of the country. I am not sure I know Mr. Naman, but we are delighted to have you, too.

Mr. ABBITT. Mr. Chairman, I might point out Mr. A. J. Hall is sitting here who represents the Virginia Farmer's Union. He has been before the committee a number of times. I believe he was here at the last hearing.

Mr. O'NEAL. We are certainly delighted to have them all.

Mr. Sugg, we are going to ask you to proceed at this point. We apologize for taking so much of the time, but as you can see, it has all been very important.

STATEMENT OF JOE SUGG, EXECUTIVE SECRETARY, NORTH CAROLINA PEANUT GROWERS ASSOCIATION

Mr. SUGG. Mr. Chairman, first may I present two gentlemen I have with me from North Carolina: Mr. Marshall Grant, president of North Carolina Peanut Growers Association, president of the local Farm Bureau and chairman of the State Farm Bureau Peanut Committee; Mr. Minton Beach, Jr., who is past president of our marketing association and currently secretary of the association, and active in his local Farm Bureau.

Mr. O'NEAL. We are certainly glad you brought them with you.

Mr. SUGG. These gentlemen may be prompted to request time for a brief statement later in the hearing.

Mr. O'NEAL. Very well.

Mr. SUGG. First I would like to say in connection with Mr. Gathings—and this is off my prepared statement—that our association has been trying as Mr. Rawlings has outlined, to increase the consumption of peanuts through promotion, education, legislation and other means available to us. You may notice that from time to time you have been supplied with the Virginia type peanut grown in North Carolina and processed in North Carolina, which you have in your pocket. I believe you stuck it back in your pocket.

Mr. GATHINGS. Here it is. These peanuts are fine—thanks.

Mr. SUGG. I would note that the intent of the peanuts being supplied to you gentlemen is not for any lobbying purposes but to try to supply you with a little energy to help carry you through your arduous duties and to help encourage you in developing the flavor for this peanut, so when my supply is not available, you will buy some and help increase the market.

Mr. GATHINGS. I will say to the gentleman I have enjoyed these peanuts right along from day to day as I come to the committee. Believe me, I am not by myself, because we do a little eating along here as we talk.

Mr. SUGG. I am glad to know you are helping to consume peanuts.

Mr. GATHINGS. I like peanuts in any event.

Mr. SUGG. I would like to proceed with my statement only with the comment that I refer to H.R. 18213. I did not refer to the other bills because they are identical bills as mentioned by the chairman.

Mr. Chairman, I am Joe S. Sugg, executive secretary of the North Carolina Peanut Growers Association, which represents all the peanut producers of North Carolina as members of the association by virtue of the fact that we are organized and empowered under the Commodity Enabling Act of North Carolina to assess all growers 2¢ per 100 pounds from the marketing of their peanuts during each marketing year, therefore each is a member. We estimate that the membership consists of 18,500 landowners and 9,000 sharecroppers or tenants. Our board of directors is made up from nominees nominated from each county growing peanuts and elected at the annual membership meeting. In appearing before you today, I am representing the growers through the action of the board who authorized this statement.

The North Carolina Peanut Growers Association supports the provisions of H.R. 18213 amending the Agriculture Adjustment Act of 1938, as amended, and urgently request that this committee give a

favorable report to this bill and do all within your power to secure its enactment by the Congress before adjournment.

We endorse this bill because we are of the firm conviction after having worked with representatives of the other peanut producing organizations, sheller organizations, and manufacturer organizations for many long hours, that we have come up with a bill, which is the result of careful thinking, study and compromise, that most nearly fits the needs of all segments of the industry, the government, and the welfare of the consumer. We do not claim that every person is in thorough accord with the provisions of this bill but it is the first peanut proposal that I have ever seen on which there is unanimous agreement by all the peanut producer representatives from all States and areas.

The challenge was issued by Secretary Freeman that the growers come up with legislation that would be workable and passable, which would (1) increase the net income to peanut growers, (2) maintain adequate supplies for domestic consumers at reasonable levels, and (3) reduce the cost of the peanut program to the Government. I feel that we have accomplished the three points which the Secretary has set forth and I am sure it is workable, and it is up to you of the Congress to pass it.

That we have developed a good bill is attested to by the fact that:

1. The bill retains the desirable consumer feature of maintaining the national minimum acreage allotment of 1,610,000 acres, assuring adequate supplies.

2. The minimum price support level of 75 percent of parity is maintained for those farmers wishing to plant their full share of the national minimum allotment.

3. It provides for the flexibility of each farmer determining for himself whether or not he wishes to plant 100 percent of his share of the national minimum acreage allotment or reduce his acreage and be compensated for producing less peanuts by a modest price increase of 1 percent of parity for each 2-percent reduction.

4. It provides the certificate approach for those who feel that this is a more desirable approach than the methods used in the existing peanut program.

5. It provides the authority necessary for the Secretary of Agriculture on a gradual basis to bring supplies in line with demand.

6. It gives the Secretary of Agriculture the authority and the mechanism to reduce the cost of the peanut program to the Government which should meet with the favor of the economy-minded Congress.

7. It provides for gradualism in the price increases to manufacturers and consumers and in production adjustments.

8. It permits flexibility in the producer-buyer bargaining for production and price levels in an area or even to individual farmers.

9. It provides for production and income stability which is vital to the economic health of agri-business within the producing community, to the industry as a whole, and to the consumers who are dependent upon constant adequate supplies.

It is a tribute to the House Agriculture Committee and the Congress to have developed peanut farm legislation since the early thirties that would permit us to design these amendments which will serve the needs of so many with the minor objections of so few.

It has been the objective of the North Carolina Peanut Growers Association, in appreciation of the authority given us in our farm programs, to constantly strive to improve the programs through legislative amendments. Since 1954 we have been working with other grower representatives and with members of the Department of Agriculture to develop such improvements, but for various reasons we have just now arrived at the point of presenting to Congress the improvements which we feel are necessary to get enacted in order to keep pace with the changing times. To have this bill enacted is an absolute must if our farmers producing peanuts are to continue in business and maintain a level of income which will permit them and their labor to remain on the farms rather than join the migration to the city relief rolls and ghettos.

May I express to you our appreciation for the opportunity of appearing before you in behalf of this bill and again request your favorable action.

Mr. O'NEAL. Thank you, Mr. Sugg, that is a very clearly presented statement. We are running out of time, I might say.

Are there any questions of Mr. Sugg?

Mr. ABBITT. Mr. Chairman, I do not want to ask any questions at this time but it seems to me somewhere along the line we are going to hear from the three producer representatives and their comments about the amendments that were suggested. I realize we cannot do that this morning. They have not commented on the amendments suggested by the Department.

Mr. O'NEAL. There have been some comments in wholehearted opposition.

Mr. ABBITT. They might want to explain why.

Mr. O'NEAL. Yes.

I don't want to preempt Mr. Naman. Mr. Naman is from Texas, and that is the only reason I commented at the time.

Are there any other questions of Mr. Sugg? If not, thank you.

Mr. Naman, we would be delighted to hear from you. Again I apologize that we have you last on the list. It is very difficult to pace these things, but we are still glad to hear from you.

STATEMENT OF JAY NAMAN, PRESIDENT, TEXAS FARMERS UNION, WACO, TEX.

Mr. NAMAN. Mr. Chairman and members of the committee, my statement is most brief.

My name is Jay Naman. I am from Waco, Tex., and I am president of Texas Farmers Union. I serve as cochairman of the Peanut Committee of National Farmers Union and am also a member of the National Farmers Union and am also a member of the National Farmers Union Executive Committee. Let the record show that Mr. Jack Hall, president of Virginia Farmers Union and Mr. W. E. Stacy, member of Farmers Union (both of whom grow peanuts) are here and join me in expressing the views of National Farmers Union.

We support H.R. 18145. National Farmers Union has traditionally supported the peanut program and continues to support the program as it is now constituted in principle. However, we find that a major handicap to the existing program is the lack of machinery to ade-

quately bring supply in line with demand and increase grower income without substantially increasing Government costs. To eliminate these handicaps we feel that it is vital that such program changes be made as will increase grower income substantially without enhancing Government costs.

Peanut producer representatives from all production areas have agreed, after considerable discussion, that H.R. 18145 will remove some of the handicaps that exist in present legislation. We agree with them that the proposed program moves in this direction and we support it on the ground that it is necessary for immediate peanut producer income improvement.

We would like to point out that peanut farmers have recognized that in return for price supports they have the responsibility of so managing their production that the costs to the Government would not be excessive and consequently have voted over 90 percent in favor of continuation of the peanut program. This high level of responsibility on the part of peanut producers is reflected in the fact that except for tobacco, the peanut program costs less than any of the commodity programs.

Mr. Hall, Mr. Stacy, and I will be happy to respond to any questions the subcommittee may have.

I stand to be corrected. Mr. Godfrey said that the rice program now costs less.

There is some question whether or not if you figure Public Law 480 costs it would cost less. At any rate I do not know that this is particularly relevant.

Mr. O'NEAL. Thank you very much, Mr. Naman.

Are there any questions?

Mr. PURCELL. Mr. Chairman.

Mr. O'NEAL. Mr. Purcell.

Mr. PURCELL. Mr. Naman, Texas does not have any kind of commodity commission or any kind of Government-created commission for the purpose of promoting the sale of commodities, does it?

Mr. NAMAN. No, sir.

Mr. PURCELL. We tried a whole bunch of times to get one.

Mr. NAMAN. Yes, sir.

Mr. PURCELL. The Farm Bureau has kept us from getting one every time, haven't they?

Mr. NAMAN. The Farm Bureau has opposed such a proposal.

Mr. PURCELL. I just want to say again, gentlemen, that you are here trying to sell peanuts. You are doing a good job. But we are doing all this work on producing our products. We have not spent any Government money, or very little. We have spent very little producer's money on selling what we are growing. The cigarette people—and I know I am sitting in the midst of a whole bunch of them—the beer folks—and people don't show up as quick on who is peddling beer and cigarettes—are all selling more of that product with a sign on the cigarettes saying, "Don't smoke this or it will kill you." You need to get yourself some testifying doctors that say, "Eat more peanut butter and live longer" or do something. They will testify. You can get them to testify that black is white or white is black or anything else you want.

I think we have come to this point in emphasizing how to scientifically grow things. We do not scientifically sell anything. To me it is

very ironic that with those of us who are producing food for the best fed country in the world in history, that we can't do a better job of selling. You have made the first step of getting together at least to present a program to us. I hope we can pass it for you.

But our work is just beginning. I am just as serious as I can be. We can peddle for peanuts if we just put our head to it and are sincere about it as these others are that are peddling things that folks don't need. You have to go in the same direction. For once I say very humbly thank you for showing up here without at least anybody having nerve enough to stand up and say, "I don't agree" from the producer's group. I am sure we will find some manufacturers and others that do not quite agree.

I will caution you producers that these people that are manufacturing your product are as necessary for your product to be sold as you, yourself are.

You would have a difficult time peddling peanut butter if you did not have somebody making it, if you did not have a nationwide commercial outfit that sold it. These people are not stealing from you. I don't think you think they are, but again get to work and stay together with the people that are necessary to help get your product to the end user, and quit worrying about politics in every other category except selling food and understand other people's problems. You can see that I have several concerns today. I would like, Mr. Chairman, as we all have, to compliment these people very sincerely in making a big step forward. You are right, it is up to us from here on, but you will have to keep helping us and I hope you can. Thank you.

Mr. O'NEAL. The Chair will observe that the sermons from the gentleman from Texas are always very good and very effective. Are there any other questions? We have some time left and perhaps Mr. Naman or Mr. Sugg may have a comment on the suggested changes that Mr. Godfrey presented to us this morning.

Mr. SUGG. Mr. Chairman, our position, as I mentioned in the outset—this statement I prepared was authorized by our board who had studied very carefully the bill as now drafted and all the preliminaries to the drafting of this bill. We therefore state our position that we support the bill as now drafted.

We do not concur with the recommendations of the Department. It is a matter of opinion. We think that we will accomplish the ends set forth by the Secretary. They think otherwise.

Mr. O'NEAL. It was a pretty delicate matter arriving at this position taking into consideration the views and positions of the people throughout the rest of the peanut-growing sections.

Mr. SUGG. I would like to point out that no one who was not in the 60 days of meetings that we have had could appreciate the compromise that we have gone through, one area versus another area, the producers taking into consideration the manufacturer's viewpoint as expressed to us, the shellers' viewpoints, and the consumers' welfare.

We have considered all of those things.

Mr. O'NEAL. You did not mean to leave out the Department of Agriculture.

Mr. SUGG. The Department of Agriculture was right there every time we had a meeting. We have not hidden anything from anybody. They did not hesitate to tell us all along what they thought.

Mr. O'NEAL. You had full use of their statisticians and lawyers and advisers.

Mr. SUGG. They gave us the complete cooperation at any hand we wanted. They even let the guards on the door let us in during a certain period of time on Saturdays and Sundays when other people did not want anybody going and coming. We certainly have enjoyed their cooperation.

Mr. O'NEAL. The bill was worked out and written in the Department of Agriculture, is that true?

Mr. SUGG. Yes, sir. We came to terms and Mr. King and Mr. Daniell and Mr. Rawlings were our drafting committee working with the attorneys of the Department.

Mr. O'NEAL. Thank you, sir.

Mr. NAMAN, do you want to add anything to that?

Mr. NAMAN. Mr. Chairman, we would like to reserve judgment on all the recommendations that the Department made. However, we would look very apprehensively at any flexible certificate value or any reduction of the loan value below what is in existing legislation. In regard to the standard grade factor I think this idea might have been suggested by the Virginia Farmers Union. Maybe Mr. Hall would make a comment on that.

Mr. O'NEAL. Mr. Hall.

Mr. ABBITT. Mr. Chairman, I notice Mr. Hall is set for tomorrow.

Mr. O'NEAL. He is the leadoff witness tomorrow.

Mr. ABBITT. You might make it today while he is here.

Mr. O'NEAL. Would you like to present your testimony today or wait until tomorrow?

STATEMENT OF A. JACK HALL, PRESIDENT, VIRGINIA FARMERS UNION, RICHMOND, VA.

Mr. HALL. Mr. Chairman and members of the committee, I plan to make no further testimony than to merely support the position of the National Farmers Union. The National Farmers Union is a community of farmers throughout the country, and we look out for what we think is best for the public interest and farmers throughout the Nation.

In reference to the position that the Department has taken in arriving at the method of computing the base level, Mr. Rawlings explained it very well when he testified previously, I think as a result of probably the talks in Virginia that the Department took recognition of Mr. Rawlings' comments in previous times up here.

I need to say nothing further but I think the Virginia farmers in particular are most anxious to have this enacted as the Department recommended it. It is beneficial to us in that it sets a certain standard and from year to year over and above that if a peanut farmer produces a better peanut and gives more value he gets paid for it. If the standards on a 3-year running average go below, at the present time he suffers a loss.

This would certainly be an improvement in the program. We are talking about standards establishing the level of the price support.

Unfortunately we asked the Department to give us a copy of their recommendations. I don't have one. If I had it I could refer to it.

Mr. Rawlings has already expressed the view and I think he covered it sufficiently. I have nothing further to say.

Mr. O'NEAL. Thank you very much.

We have two statements offered for the record, one by Mr. W. Randolph Carter, executive secretary of the Virginia-Carolina Peanut Association, Inc., of Suffolk, Va., and the other from the American Farm Bureau Federation, and without objection they will be admitted.

(The statements follow:)

STATEMENT OF W. RANDOLPH CARTER, EXECUTIVE SECRETARY, VIRGINIA-CAROLINA PEANUT ASSOCIATION, BEFORE THE AGRICULTURE AND FORESTRY COMMITTEE OF THE U. S. SENATE CONCERNING S. 3711

Gentlemen, my name is W. Randolph Carter, Executive Secretary of the Virginia-Carolina Peanut Association, the membership being composed of substantially all of the peanut shellers in the states of North Carolina and Virginia. Our membership has for many years purchased all of the available Farmers Stock Peanuts produced in our area and has made additional purchases from the Southeast area.

Our membership, after studying in detail S. 3711, honestly and sincerely feel that we must oppose this bill. A cursory study of the cost of the peanut program to the government plainly shows that the government's principal surplus of Farmers Stock Peanuts lies in the states of Georgia, Florida, Alabama, Texas and Oklahoma. While we are sure the Congress desires to reduce the cost to the government of any farm program this could be easily effected as to peanuts by simple legislation which would reduce the acreage planted to peanuts in the states producing this surplus of Farmers Stock Peanuts. We are also certain that the Congress desires no excessive price increases to the consumer in this inflationary period.

The legislation now under consideration would provide incentives that could and probably would reduce the planted acreage across the board in every state where Farmers Stock Peanuts are planted. We feel it would be senseless to try to reduce the production of Farmers Stock Peanuts in Virginia and North Carolina where there is no surplus. The Virginia type peanut grown principally in both Virginia and North Carolina has always carried a higher loan or support value and this type can be and is being planted in the other peanut producing areas. If passed, this legislation would no doubt result in a reduction of the Virginia type peanut grown in Virginia and North Carolina and would create a substantial shift in the competitive position of the competing areas to the detriment of the Virginia-Carolina area. In short, we urge that the average reduction be made where the surplus of Farmers Stock Peanuts is and where the government has historically sustained heavy losses because of the excess production.

We have always supported a strong and healthy peanut program. We have requested Secretary Freeman to use his discretion under the present program in granting additional reasonable increases to the growers which would avoid the necessity for this complicated new legislation under consideration.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., July 11, 1968.

HON. MASTON O'NEAL,
*Chairman, Subcommittee on Oilseeds and Rice, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN O'NEAL: We are taking this means of presenting the views of the Farm Bureau relative to bills, H.R. 18145, H.R. 18213, and H.R. 18297, dealing with "Peanut Marketing Certificates."

The American Farm Bureau Federation is made up of more than 1,753,000 families who are dues-paying members of 2,770 County Farm Bureaus in 49 states and Puerto Rico. We have a large Farm Bureau membership in all the states that produce peanuts.

Farm Bureau has had a long-standing policy against multiple price plans. We are against the use of a processing tax as a gadget for price support. Our members do not believe it is sound in principle or in farmers' long time best interest.

Also, consumers or users of the product involved rebel at even the talk of a processing tax on any product they want to buy.

Experience has shown that when a processing tax is in use the farmer's price is forced down. It is necessary for the processor to add to his cost the tax which is passed on to the ultimate consumer.

Wheat farmers under the 1965 Farm Act are learning the hard way how depressing a seventy-five cent per bushel processing tax can be on their market price. Wheat prices at the farm today are the lowest they have been in twenty-six years. In light of this experience, our members do not want to see such a processing tax plan tried on peanuts.

Current Farm Bureau policy on peanuts is as follows:

"Pending the development of programs which will better serve the interests of producers—

* * * * *

"We support the present peanut program and favor continuation of the release and reapportionment features of this program."

Farm Bureau, therefore, is against the enactment of a Peanut Marketing Certificate bill as encompassed in H.R. 18145, H.R. 18213, and H.R. 18297. We recommend that no action be taken at this time so that producers can give intensive study to the problem and make recommendations for changes in 1969.

We appreciate the opportunity to present our views on this legislation, and we respectfully request that this letter be made a part of the record of the hearing.

Sincerely yours,

JOHN C. LYNN,
Legislative Director.

Mr. O'NEAL. Another statement is from Congressman Paul Findley. I have not seen it, but I understand he has a statement to submit for the record and without objection it will be admitted in the record.

(The statement follows:)

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

Mr. Chairman, Members of the Committee. I present here my reason for opposing H.R. 18145, which would establish a processing fee on peanuts—a fee that can be described properly as a tax on consumers.

On previous occasions, as a member of this distinguished Committee, I have voiced my objection to the processing tax provisions of the present wheat legislation—a tax which has been variously described as a flour tax or bread tax. Several years ago this Committee rejected, wisely I think, a proposal to establish a processing tax on rice. I hope it will see fit to reject this proposal on peanuts.

The bill would authorize a processing tax which will rise to a level of 20 percent of market value. Think of it! If enacted, this would put a peanut butter tax on top of a bread tax. A more uneconomic, more unpalatable sandwich would be difficult to contemplate.

Sponsors say, I am told, that the tax on peanuts was conjured up by growers working with USDA. It is easily believed that neither processors nor consumers had a hand in it. In fact, curious to know whether the President's righthand counsel on consumer matters was aware of it, I sent last Thursday an inquiry to Miss Betty Furness, the President's Assistant for Consumer Affairs. With the cost of this processing tax certain to land eventually on consumers, it will be interesting to know if it has the blessing of the official spokesman for consumers.

This bill has been proposed to maintain and improve farm income for peanuts. All of us are in favor of higher farm income. However, I believe it should come by the operation of demand and supply in the marketplace—not by a device to add a new tax on the already burdened consumer. Certainly, even to suggest the collection of a special consumer tax to be distributed to peanut producers requires that a case first be made that current income from peanuts is depressed. Let us review the facts. Examine the following table showing the average gross income from peanuts per acre produced. You will note that over the last 10 years, gross income per acre has about doubled. The same table shows that the value of the crop has also about doubled in the same period.

PEANUTS

	Gross return per acre	Value of crop (millions)
1957.....	\$100.78	\$148.9
1958.....	126.88	193.0
1959.....	101.86	145.8
1960.....	123.20	172.0
1961.....	129.16	181.5
1962.....	135.08	189.3
1963.....	155.79	217.8
1964.....	168.22	235.0
1965.....	189.35	272.2
1966.....	192.10	271.2
1967.....	201.21	283.5

During this same period the index of prices paid by farmers went up about 20 percent.

USDA has published a series on peanut-cotton farms in the Southern coastal plains, which show in detail the cash receipts and net cash farm income on these farms. Can a case be made for a consumer levy? Examine the following table which shows from 1957 through 1966 the cash receipts from peanuts on these farms and the next farm income:

PEANUT-COTTON FARMS, SOUTHERN COASTAL PLAINS: TOTAL CASH RECEIPTS AND
NET CASH FARM INCOME, 1957-66

Year	Peanut cash receipts	Net cash farm income
1957.....	\$1,293	\$1,547
1958.....	1,977	2,767
1959.....	1,689	1,716
1960.....	2,430	2,767
1961.....	2,817	3,421
1962.....	2,711	3,270
1963.....	3,708	5,025
1964.....	4,046	4,924
1965.....	4,624	6,046
1966.....	4,232	5,389

You will note that in these 10 years cash receipts from peanut sales went up about 3½ times and net cash farm income also rose 3½ times in that period.

The above figures do not make a case for a peanut tax or a peanut butter tax.

In spite of the alleged concern about government costs, the first step on the part of the proponents of this legislation is to increase the loan rate for the 1968 crop peanuts to 80 percent of parity from 75 percent, *without any acreage cut*. Just how is this production stimulating, consumer price raising, increased government purchase price designed to cut government costs for the 1968 crop?

There are several other deficiencies in the proposed legislation. Let me enumerate some of them:

1. Acreage reduced from peanut production can go into any other crop even though such acreage reduction has been paid for by the government. This will increase competition with other crops and force additional costs on CCC.

2. There is no relationship between the cost of the certificate or the amount collected from consumers and the amount distributed to farmers. If there is no participation, the consumer would still have to pay the certificate cost in the retail price.

3. Section 380(c) states: "The cost of any marketing certificates issued to producers in excess of the value of certificates acquired by persons engaged in cleaning inshell or shelling of farmer stock peanuts shall be borne by Commodity Credit Corporation."

This assumes that there will be additional certificate costs. In addition CCC will still have to subsidize peanuts into export or crushing into oil in order to dispose of surpluses.

Finally, may I recommend to this sub-committee an amendment to the Agricultural Act of 1938, as amended? I propose that peanuts be deleted from the list of basic commodities. It is time that the entire paraphernalia of acreage controls

be eliminated for this crop, which by any reasonable standard can hardly be considered as really basic. It is difficult to justify the inclusion of peanuts in such a unique category when we recognize that such crops as tomatoes, oranges and apples each provide greater farm income to producers than peanuts. In 1966, cash receipts from the sale of price support peanuts were \$270 million; tomatoes produced \$385 million; oranges \$325 million and apples \$274 million.

It must not go unnoticed that the \$270 million cash receipts required government costs of about \$44 million.

Mr. O'NEAL. Mr. Wampler is recognized.

Mr. WAMPLER. I wonder if either of you gentlemen had seen a copy of the Department's recommendations prior to the hearing this morning?

Mr. HALL. We had asked for it and could not get it.

Mr. WAMPLER. Actually you heard it for the first time this morning?

Mr. HALL. Yes, sir.

Mr. WAMPLER. Generally you find yourself in disagreement with their recommendations and you adhere to the positions and recommendations of the basic legislation.

Mr. NAMAN. With the exception of the grade proposition, the standard grade.

Mr. WAMPLER. The question in my mind was whether you had time really to digest the Department's comments and consider them and relate them to the basic legislation.

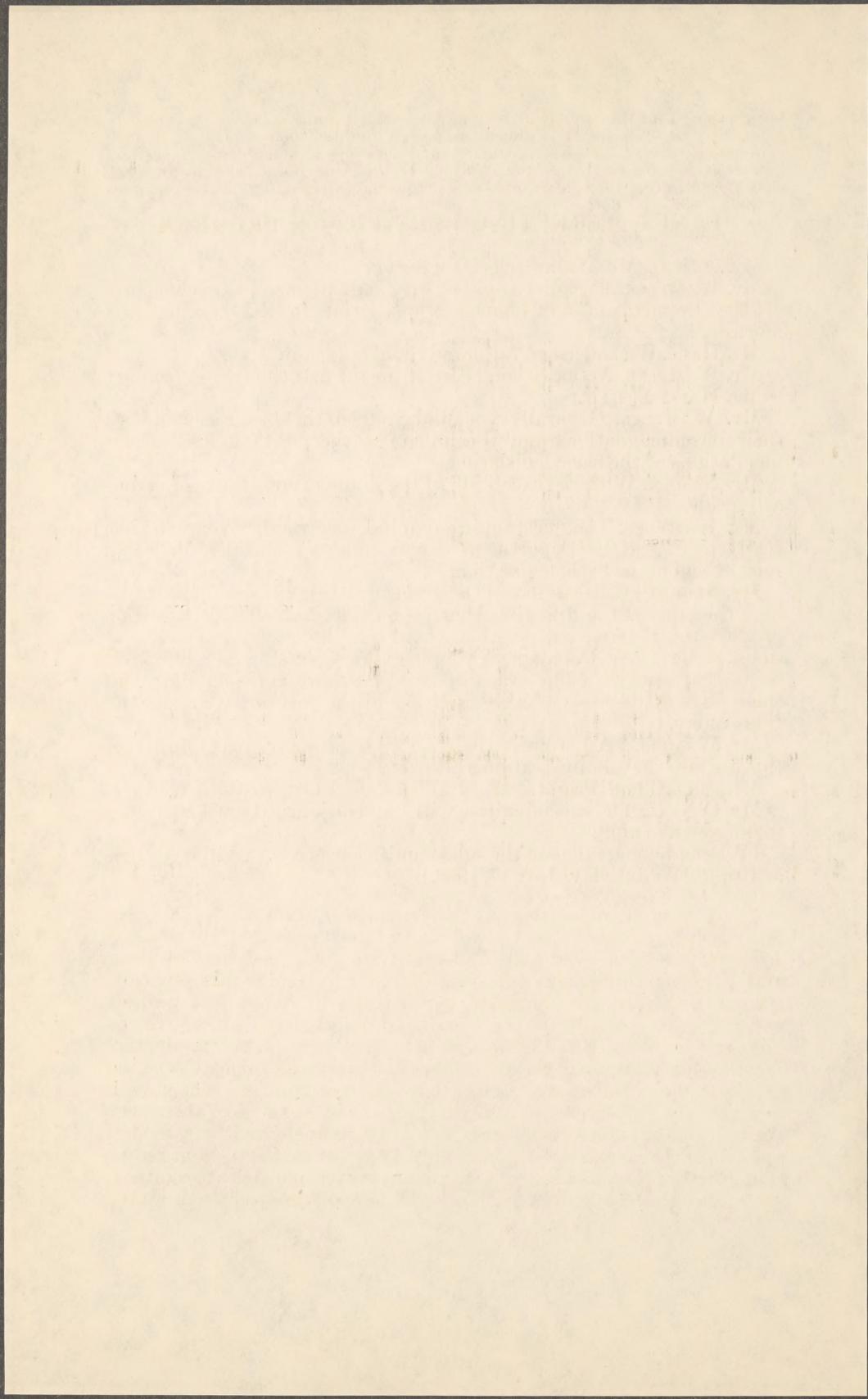
Mr. SUGG. In fairness to the Department, I think it should be stated here that this is the first time that we have had an official indication of what the Department position would be. All through our deliberations we have had Department people express certain reservations. It seems that certain of those reservations that they expressed during all these days of discussions have come up in the form of recommendations today.

Mr. WAMPLER. Apparently there is still some question as to whether this fits into the administration's position.

Mr. SUGG. That is right.

Mr. O'NEAL. The subcommittee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12 noon the subcommittee was recessed to reconvene at 10 a.m., Wednesday, July 17, 1968.)



PEANUT MARKETING CERTIFICATE PROGRAM

WEDNESDAY, JULY 17, 1968

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:03 a.m., in room 1301, Longworth House Office Building, Hon. Maston O'Neal (chairman of the subcommittee) presiding.

Present: Representatives O'Neal, Gathings, Abbit, and Wampler. Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; and Hyde H. Murray, assistant committee counsel. Mr. O'NEAL. The subcommittee will come to order.

We resume our hearings this morning on H.R. 18145, a bill of Mr. Purcell, and also 18213 and 18376, identical bills offered by other colleagues.

The Chair notices in the audience this morning a distinguished member of the full committee, a warm friend and colleague, Mr. Jones of North Carolina; a friend of the peanut producers. We would be glad to hear from Mr. Jones before we begin our schedule.

STATEMENT OF HON. WALTER B. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. JONES. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the opportunity to present this statement in support of H.R. 18213. The record will show that I am a cosponsor of this bill.

The peanut farmers of my district and the State of North Carolina as well as other peanut-producing States are caught in the much used phrase of the cost-price squeeze. I am convinced that we must find adequate adjustment and positive relief to resolve this situation.

I am aware of the increased per acreage production of peanuts which further complicate the existing problem, but I am convinced the provisions of H.R. 18213 takes into consideration the production factor. One feature of the bill provides that those farmers wishing to plant their full share of the national minimum allotment, will receive only 75 percent of parity, while at the same time, those who are willing to reduce their acreage will be compensated by a modest price-support increase of 1 percent of parity for each 2-percent reduction. Further, I cannot see that this in any way jeopardizes the authority of the Secretary of Agriculture to control the overall program.

I recall a few months ago attending a meeting in the Department of Agriculture at which time the Secretary was present and in his wisdom challenged the peanut producers of the several Southern States to come forward with a workable program that would justify his increasing price supports, and this bill is a result of that challenge. I am under the impression that this bill has the overwhelming endorsement of the peanut producers of the several States involved, particularly, the State of North Carolina.

Recently, we have heard much regarding the malnourished and starving people of this Nation. I sometimes wonder if we overlook the fact that if we continue to ignore the fiscal problems of our agricultural economy that it might well be we will have more hungry people as a result of food shortages, due to the mass migration of our farm labor. Such migration being caused by the inability to survive financially, as a result of farm operations. I realize the hour is late in this session of Congress; however, in an effort to offer some hope to our peanut producers, I urge this committee to take favorable action on this or similar bills which are before you for consideration as of this date.

Mr. Chairman, thank you very much for the opportunity to appear.

Mr. O'NEAL. Thank you, Mr. Jones, for a very fine, sincere, and succinct statement. We appreciate your coming this morning.

Mr. JONES. Thank you, sir.

Mr. O'NEAL. The Chair observes that there are 10 witnesses to be heard this morning. We hope that each witness will bear that in mind, and where possible, shorten his statement.

We do not want to circumscribe anybody, but we would appreciate your cooperation to that extent. The first witness on the list is Mr. James T. Hintlian, president of the National Peanut Butter Manufacturing Association, and representing National Confectioners' Association.

You may proceed, Mr. Hintlian.

**STATEMENT OF JAMES T. HINTLIAN, PRESIDENT AND TREASURER
OF THE JOHN W. LEAVITT CO., OF EVERET, MASS., ON BEHALF
OF THE PEANUT BUTTER MANUFACTURERS ASSOCIATION AND
THE NATIONAL CONFECTIONERS ASSOCIATION**

Mr. HINTLIAN. Thank you, Mr. Chairman.

Mr. Chairman, my name is James T. Hintlian. I am president and treasurer of the Leavitt Corp., of Everett, Mass. This appearance is entered in behalf of the Peanut Butter Manufacturers Association of which I am the president and also in behalf of the National Confectioners Association.

The Peanut Butter Manufacturers Association is the national trade association of peanut butter manufacturers, peanut butter sandwich manufacturers, and suppliers of goods and services to the industry.

The National Confectioners Association is the national trade association of candy manufacturers and suppliers of goods and services to that industry.

In each instance members are located throughout the United States and, also, in each instance it is estimated that the manufacturer members of the respective trade associations account for approximately 85 percent of the production of industry products.

Peanut butter manufacturers and peanut butter sandwich manufacturers are responsible for the usage of approximately 53 percent of the peanuts used annually in the United States for edible purposes. Confectionery manufacturers are responsible for about 21 percent of the peanuts used annually for edible purposes in the United States. Therefore, candy manufacturers, peanut butter manufacturers, and peanut butter sandwich manufacturers use approximately 74 percent of the peanuts which are used annually for edible purposes. In addition many of the companies which are members of these two associations also engage extensively in the salting of peanuts.

The National Confectioners Association and the Peanut Butter Manufacturers Association are opposed to H.R. 18145 and H.R. 18213 as pending before the committee. This position is taken reluctantly as these industries would like, if at all possible, to support a program for peanut growers. There are several reasons why we cannot support the current proposal, and we shall attempt to outline for the committee our reasons for this position.

PRODUCER AND CONSUMER WELFARE

At one end of the industry are peanut growers. At the other end are the ultimate consumers of peanut products. Both must be dealt with fairly. The current proposal, we believe, would render a disservice greater to the consumer than it could render a benefit to the grower. In fact, we question seriously whether in the long run it would provide a benefit to the grower but instead well might be to his ultimate disadvantage.

ECONOMIC POSITION OF THE GROWER

Several months ago peanut industry discussions commenced following assertions that the peanut grower needed more income and that he was not receiving a fair income or return on his investment. Manufacturers, being interested in having the peanut farmer receive a good return, initially accepted the grower contention at face value that higher prices were needed. Throughout discussions which have occurred, the attitude of the manufacturer has been one of being genuinely sympathetic to the interest and contentions of the peanut producer. When, however, the proposed legislation is carefully analyzed and the actual facts of the Department of Agriculture as to peanut grower return are studied, we must conclude that the peanut producer has not made his case that he is not receiving an appropriate return.

With a third of the peanut crop in surplus and having to be bought by the Government, this bill flies directly in the face of the basic philosophy of the overall farm program, which growers generally have embraced for many years. The philosophy of the farm program is to provide a level of support between 75 and 90 percent of parity, dependent upon the supply of peanuts. With the tremendous surplus, understandably, the level of price support has been 75 percent of parity. The other part of the general farm price support philosophy is that if the farmers' costs increase, as they have done, parity itself should be adjusted so that the farmer might receive more dollars for his produce even though the percentage of price support is not increased. This has been done in the case of peanuts. The grower has received a higher price per pound in almost every year of the past 8 years, because parity itself has been and continues to increase.

Concerning the economic situation of the peanut producer, attention particularly is invited to a publication of the U.S. Department of Agriculture. It is Agriculture Information Bulletin No. 230 of the Economic Research Service, dated October 1967, and is entitled "Farm Costs and Returns: Commercial Farms by Type, Size, and Location." On page 10 there is table 8 indicating producer returns in 44 farm classifications. The table shows that the returns for peanut-cotton farmers in the southern coastal plains were higher than in any of the other 43 farm classifications. This is the area of production of approximately 50 percent of U.S.-produced peanuts. Peanut farmers in this area received \$16.34 per hundred dollars invested during the 1964-66 period, and this return represented an improvement of 19 percent over the 1956-65 average. A copy of this table is appended to this statement. We suggest that an annual return of \$16.34 per hundred dollars invested is good business and that a farm crop which is on top among 44 farm classifications is not in a position to plead that it is not receiving a fair return.

We acknowledge that a fundamental problem is the acreage allotment program. It is understood as a result of this program that the average peanut acreage per farm is slightly less than 26 acres. It is obvious that to receive a reasonable income a farm with only 26 acres would have to receive an unreasonable price per acre for its produce. However, based on the USDA report referred to above, most peanut farmers also produce other crops, largely corn and cotton which provide substantial additional income. The average farm producing peanuts receives a net farm income from all crops which is approximately 25 percent above the national average income for all farms as shown in the foregoing referred to report (pp. 12 and 60).

For many years now the average number of acres of peanuts harvested in the United States has remained virtually constant. As a result of maintaining the national allotment at 1.6 million acres, guaranteeing purchase by the Government of all output at an established price, and great advances in farm technology, output per acre has doubled in the past 10 years. The value of the peanut crop has increased tremendously and the value per acre harvested has increased fantastically. In 1957 the commercial value of the entire peanut crop was only \$149 million. By 1962 the value had increased to \$199 million. For 1967 it was \$287 million. The story is even more dramatic regarding the value of the crop per harvested acre. In 1957 it was \$101 per acre. By 1962 it had increased to \$141 per acre. For 1967 it had increased to \$205 per acre. A 100-percent increase in value per harvested acre does not mean the peanut farmer is receiving an inadequate return for his product.

In connection with the subject of adequate returns for growers, we have had occasion to observe the remarks of Senator Herman Talmadge of Georgia which appeared in the Congressional Record of July 1, 1968, page S7954. Senator Talmadge submitted these remarks with his introduction of S. 3711, which is comparable to the provisions of H.R. 18145 and H.R. 18213. In his remarks Senator Talmadge stated that regarding peanut farmers, the "prices they receive have steadily declined." The published statistics of the U.S. Department of Agriculture show that just the opposite has occurred. The actual cents per pound received by growers has increased almost 10 percent in 10 years, but more importantly, as already pointed out, the value of the yield

per acre has increased fantastically and there have been tremendous increases in the overall value of the production. Also, while Senator Talmadge does not directly say so, his remarks imply that manufacturers support the current proposal and participated in its development. This is not the case. We have, nevertheless, indicated we would be receptive to any reasonable program which would be fair to all segments of the industry. For months there have been meetings between growers of the three producing areas. The growers also have held many meetings with officials of the Department of Agriculture.

Manufacturers first saw a draft of the proposed legislation at a meeting of growers, USDA officials, and some sheller representatives. At that time the manufacturers expressed concern and objections to the proposed legislation that were substantially similar to those we express here today. We must emphasize, however, that we are as concerned as anyone about the welfare of peanut growers but we feel they have not demonstrated the need for the proposed legislation.

CONSUMER ACCEPTABILITY OF PEANUT PRODUCTS

Now that we have attempted to assess the economic situation of the peanut farmer, we want to observe the situation on the other end.

While candy, peanut butter, and peanut butter sandwich manufacturers want the peanut farmer to be fairly treated, they are also equally concerned that their customers, the retail consumers, are treated fairly. If the consumer is not dealt with fairly, then the manufacturer, the sheller, and the grower, all will lose. Practically all of the products of peanut butter sandwich manufacturers are sold for either 5 or 10 cents, and a substantial quantity of the candy which bears peanuts also is sold for a like amount. These items compete with other snack food and dessert items, and if other snack food items, of which there are many, represent a much better value, peanut consumption will suffer. These 5- and 10-cent items already have been hard pressed.

In the case of candy there is another important aspect which we believe peanut producers generally do not recognize. It concerns confectionery containing peanuts which is sold in products other than 5- or 10-cent items. In this area the manufacturer does have considerable flexibility. Frequently this is referred to as the "supermarket line," and includes all types of bagged candies which are retailed in food stores at 29, 39, 49, and 59 cents. Manufacturers of such confections are known as "general line houses." Many of such manufacturers actually have hundreds of different items. Frequently they are sold from pegboards in supermarkets, and a single board may have on it a dozen or more different items. The candy manufacturer in many instances has considerable flexibility as to what items he will push or even eliminate. Obviously, he will push or feature items which he believes will be more attractive to the consumer, and an important point in attractiveness is the value offered to the consumer. The consumer may be offered peanut brittle, sugar-coated peanuts, chocolate-coated peanuts, or he may be offered chocolate-coated raisins, malted-milk balls, gumdrops, or hundreds of other confections. When peanuts represent a good value, a general line confectionery house will feature them, but the quantity of peanuts purchased by general line candy houses can vary tremendously in relation to the value which peanuts

represent in comparison to the cost of other items which may be offered.

The consumer situation regarding peanut butter, we believe, is interesting. Peanut butter manufacturers, themselves, are especially cognizant of consumer reaction to prices. During the past several years peanut butter manufacturers have been confronted with many cost increases, including labor, glass, and the increased cost of peanuts, themselves, among other increased costs. Nevertheless, the Nation's largest peanut butter manufacturer recently announced that it had not increased its price of peanut butter during the past 4 years and only one minor increase in the past 7 years. Obviously, when the largest company in an industry does not increase its price, smaller companies are not likely to increase their prices. Peanut butter manufacturers are aware of the consumer reaction to increased prices and have so demonstrated by not increasing their own prices notwithstanding the fact that their costs have increased. Peanut butter manufacturers have shown that they mean what they say regarding consumer reaction as shown by their own pricing policies and they believe the growers should recognize that the manufacturers have practiced what they have preached. What we are asking is similar reasonable restraint on the part of the growers.

If H.R. 18145 of H.R. 18213 should be enacted, it is estimated that an increase of more than 10 percent in the cost of peanut butter to the consumer would result later this year. Studies have shown that a 10-percent price increase at retail probably would mean a consumption decrease of peanut butter of 3.3 percent. A decline in peanut butter consumption would hurt everyone in the industry—growers, shellers, brokers, and manufacturers. Whatever hurts one segment of the industry hurts all segments, plus the Government which will be required to purchase the increased surplus.

Price increases at retail will affect children and poor families mostly. Families with incomes of less than \$5,000 per year consume almost 30 percent of all peanut butter sold. Approximately half of the total peanut butter eaten is consumed by children of less than 12 years of age.

While the increase in the cost of peanut butter this year would likely to be more than 10 percent at retail if the proposed legislation is enacted, the increase could go up 20 percent or more in future years according to the formulas in the bill.

CERTIFICATE APPROACH NOT FAVORED

The proposed legislation would employ the certificate approach as a means of increasing peanut farmer income. Under this approach a certificate must be purchased by shellers who want to sell peanuts to the edible trade. In effect, this amounts to a direct tax on the consumer of peanut products. The added cost is passed on to the manufacturer, who must pass the cost on to the consumer. In this era of the consumer, we believe that the proposed legislation may be labeled as an anti-consumer piece of legislation because the consumer would bear all of the cost of changing the present program. The certificates would be a direct tax on anyone who eats peanuts in whatever form. Most unfortunate of all, however, is that the increased return which the proposal would yield to the peanut farmer is disproportionate and would be far less than would be the additional cost to the consumer.

COST OF THE PROPOSAL TO THE GOVERNMENT IN RELATION TO
THE BASIC PROBLEM

Last year the Government purchased almost one-third of the crop. Since the inception of the program in 1933, the peanut program has cost the taxpayers over \$430 million. As you are aware, the General Accounting Office is an arm of the U.S. Congress. One of its main functions is to see to it that the Government's money is spent efficiently. It is responsible to the Congress and is not an administrative or executive agency. The General Accounting Office has made an exhaustive study of the peanut price-support program extending over many months. On May 9, 1968, the Comptroller General of the United States submitted his report to Congress. The report concludes by submitting the following two recommendations to the Agriculture Department:

1. Develop for the consideration of the Congress a revised program, including suggested legislative changes, to more effectively control the production of peanuts. Consideration should be given, as an interim measure, to controlling production on a poundage basis rather than on an acreage basis; and consideration should, in our opinion, be given to establishing the national poundage quota at a level that would prevent further widening of the gap between supply and demand.
2. Initiate studies for developing additional concepts for accelerating the removal of excess acreage from peanut production and/or other means of equalizing supply and demand. We believe that such action is essential since the interim measure proposed above would require such a long period of time for closing the gap between supply and demand.

It is believed that it will be constructive at this point to quote various comments included in the General Accounting Office Report B-163484.

1. During the 12-year period, 1955 through 1966, the annual production of peanuts increased—because of improved farm technology—to a point where supply is now substantially greater than demand. As a result, during this period, the Department's Commodity Credit Corporation had to dispose of increasing quantities of surplus peanuts at a loss of about \$274.5 million.

On the basis of available data, we estimate that, under existing legislation the losses for the peanut price-support programs during the 5-year period 1967 through 1971, will amount to at least \$248 million and that the losses in the following years will continue to increase. (Page 1 of the report.)

2. We believe that the Department of Agriculture should consider recommending to the Congress a change in the Agricultural Adjustment Act of 1938, which would permit peanut production to be controlled on the basis of pounds instead of acres. This could reduce the Corporation's future losses by at least \$56 million during the period 1968 through 1972, without any reduction in the level of the producers' present income, if production were limited to the quantity of peanuts produced in 1967. (Bottom of page 1 and top of page 2 of the report.)

3. In recent years, the problem of overproduction has become more acute. For example, in 1966 the CCC expected to acquire about 708 million pounds of surplus peanuts whereas in 1963 it purchased 378 million pounds. ASCS estimates that losses for the price-support program for the 1966 peanut crop year will amount to about \$48 million. On the basis of available CCC data, we estimate that the losses for the peanut price-support programs during the 5-year period 1967 through 1971 will amount to at least \$248 million and that the losses in the following years will continue to increase. (Page 4 of the report.)

4. During the period 1955 through 1966, the production of peanuts increased at an average of 85.5 million pounds per year. In contrast, the demand for peanuts increased at an average of only 39.5 million pounds per year. As the gap between supply and demand widens, CCC acquires increasing quantities of peanuts under the price-support program. CCC's expected acquisition of about 708 million pounds of peanuts from the 1966 crop represents a 164-percent increase over the 268 million pounds of peanuts acquired from the 1955 crop. (Page 6 of the report.) Page 7 of the report consists of a chart entitled "Peanut Production, Commercial Demand, and CCC Acquisitions for Years 1955 Through 1966." Believing this chart presents significant facts, a copy is appended to this statement.

5. The overproduction of peanuts during the years 1955 through 1966 can be attributed to significant increases in the yield of peanuts per acre planted. In this respect, the average yield per acre increased from about 880 pounds in 1955 to almost 1,700 pounds in 1966 . . . (Page 8 of the report.)

6. Over half of the increase in average yield per acre occurred during the last 4 years. According to an Agricultural Research Service official, this increase is not the result of a breakthrough in research or highly favorable weather conditions but is attributable to more widespread use by peanut growers of higher yielding varieties of seeds and improved production techniques.

The official also has stated, despite the substantial increase in average yield per acre, he estimates that only a small percentage of the peanut growers have as yet taken full advantage of the higher yielding seeds and more modern production practices and that ample opportunity exists for continued substantial increases in the average yield per acre. We believe it is reasonable to assume that the problem of overproduction will worsen as more and more growers improve their farming practices. (Page 10 of the report.)

7. Although the Agricultural Adjustment Act of 1938, as amended, provided for the production of peanuts on the basis of anticipated demand, for all practical purposes this provision has been inoperative since 1955 because the quantity of peanuts produced on the minimum national acreage allotment of 1,610,000 acres has consistently exceeded prospective demand of the commercial edible trade. According to the Department of Agriculture, the 1966 marketing quota of about 1.7 billion pounds of peanuts could have been produced on approximately 1,007,100 acres. (Bottom of page 10 of the report.)

8. We estimate, on the basis of ASCS's projections of future demand trends, that, even if production of peanuts for future years was stabilized at the quantity of peanuts produced in 1967, it would take about 20 years before the gap between supply and demand would be closed.

With respect to farm income, ASCS has estimated that the price-support level for peanuts will increase in the future. We estimate, on the basis of the expected increases in price-support, that the farmers may receive additional revenue totaling about \$81 million during the 5-year period 1968 through 1972, even if production is stabilized. (Page 13 of the report.)

We believe that the report of the General Accounting Office to the Congress regarding the peanut price-support program makes sense and that it is soundly based. The report makes specific recommendations. There is no proposal in the bill to shift production control from an acreage basis to a poundage basis as the GAO report recommends.

CONCLUSION

The proposed legislation fails to correct those features of the present program criticized by the GAO. In the meantime, as we have demonstrated, the growers are being protected by two major factors: (1) A parity formula that offers relief in the face of increasing production costs; and (2) farm technology advances that are vigorously supported by both Federal and State agencies, and that have been providing ever-increasing yields of better quality peanuts.

The official statistics of the USDA prove peanut growers are receiving a good return on investment. Sixteen percent is considered high by any yardstick, be it Wall Street or Independence Avenue.

In addition, the proposed legislation will increase consumer prices, reduce consumption of peanut products, and add sizably to Government costs. For these reasons, we strongly oppose both H.R. 18145 and H.R. 18213.

Thank you very much.

[Telegram]

COLLEGE PARK, Md., July 15, 1968.

W. R. POAGE,

Chairman, Subcommittee on Oil Seeds and Rice, House Agricultural Committee,
Rayburn Office Building, Washington, D.C.:

After careful consideration of H.R. 18145 relating to the price support program for peanuts our association representing members with approximately 80 percent of the total production of salted peanuts in our country wishes to go on record as supporting wholeheartedly the joint statement of the National Confectioners Association and the Peanut Butter Manufacturers Association since we sincerely believe that this proposal would be detrimental to the consuming public and of no real benefit in the end to our farmers.

THE PEANUT AND NUT SALTERS ASSOCIATION.

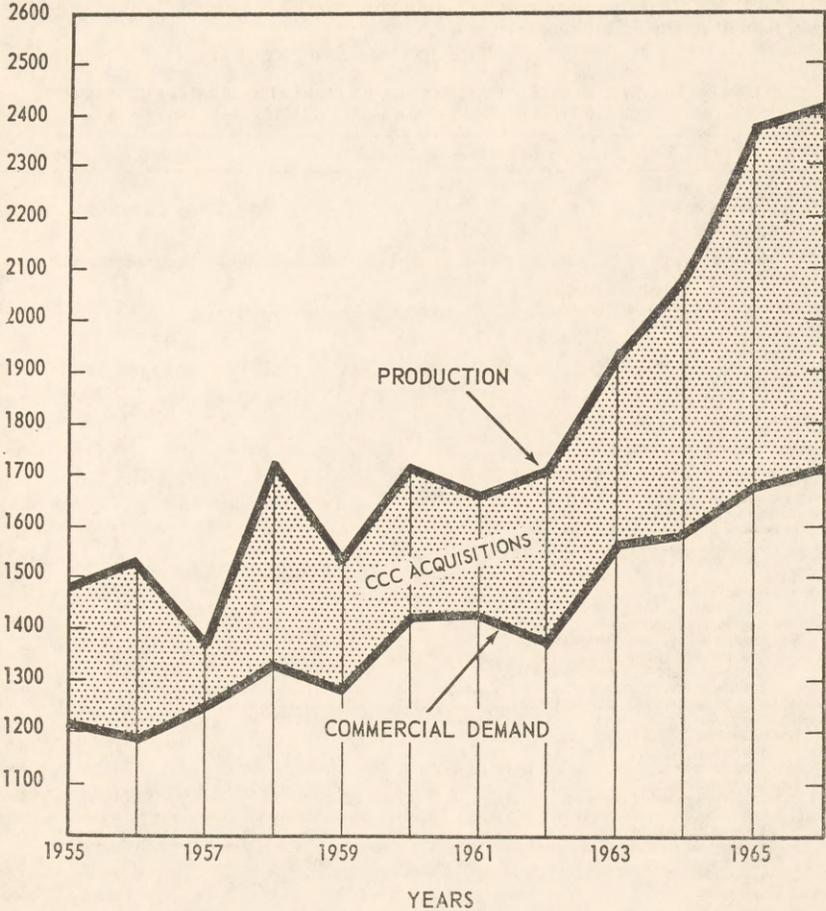
RETURN PER \$100 INVESTED WITH OPERATOR AND FAMILY LABOR AT WAGE RATES PAID FOR HIRED
LABOR, SPECIFIED TYPES OF COMMERCIAL FARMS, AVERAGES 1956-65 AND 1964-66

Type of farm and location	1956-65	1964-66
Dairy farms:		
Central Northeast.....	\$3.37	\$3.08
Eastern Wisconsin:		
Grade A.....	3.19	3.68
Grade B.....	-1.76	- .72
Western Wisconsin, grade B.....	.34	1.14
Dairy-hog farms, southeastern Minnesota.....	1.26	2.47
Egg-producing farms, New Jersey.....	-2.46	1.21
Broiler farms:		
Maine.....	3.37	1.14
Delmarva:		
Broilers.....	(1)	3.56
Broiler crop.....	8.46	7.80
Georgia.....	-4.1	1.21
Corn Belt farms:		
Hog-dairy.....	5.15	7.50
Hog fattening—beef raising.....	1.46	4.45
Hog-beef fattening.....	5.41	6.39
Cash grain.....	6.74	6.86
Cotton farms:		
Southern Piedmont.....	4.32	3.59
Mississippi Delta:		
Small.....	6.78	7.24
Large scale.....	10.05	9.12
Texas:		
Black Prairie.....	3.64	5.12
High Plains (nonirrigated).....	9.53	7.19
High Plains (irrigated).....	10.96	8.73
San Joaquin Valley, Calif. (irrigated):		
Cotton-specialty crop.....	14.53	16.24
Cotton-general crop (medium sized).....	8.35	7.21
Cotton-general crop (large).....	8.15	6.57
Peanut-cotton farms, Southern Coastal Plains.....	13.80	16.34
Tobacco farms:		
North Carolina Coastal Plain:		
Tobacco.....	9.66	9.71
Tobacco-cotton.....	8.68	8.28
Kentucky Bluegrass:		
Tobacco-livestock, inner area.....	5.04	4.40
Tobacco-dairy, intermediate area.....	-1.11	- .79
Tobacco-dairy, outer area.....	3.97	3.48
Pennyroyal area, Kentucky-Tennessee:		
Tobacco-beef.....	4.25	3.08
Tobacco-dairy.....	5.02	3.76
Spring wheat farms:		
Northern Plains:		
Wheat-small grain-livestock.....	7.03	10.13
Wheat-corn-livestock.....	7.18	8.99
Wheat-fallow.....	5.66	9.93
Winter wheat farms:		
Southern Plains:		
Wheat.....	5.23	6.84
Wheat-grain sorghum.....	4.94	5.17
Pacific Northwest:		
Wheat-pea.....	5.50	6.06
Wheat-fallow.....	6.30	5.74
Cattle ranches:		
Northern Plains.....	3.27	3.86
Intermountain region.....	7.08	4.41
Southwest.....	2.63	1.55
Sheep ranches:		
Northern Plains.....	6.90	8.61
Utah-Nevada.....	7.14	7.00
Southwest.....	2.89	2.54

1 Not available.

PEANUT PRODUCTION, COMMERCIAL DEMAND,
AND CCC ACQUISITIONS
FOR YEARS 1955 THROUGH 1966

MILLION POUNDS



Mr. O'NEAL. Thank you, Mr. Hintlian.

I will say you represent your clients very ably.

Are there any questions? If not, we are getting a little behind schedule now, and the next witness is Mr. W. J. McKemie, vice president, Georgia Farm Bureau, Coleman, Ga. We are glad to have you, Mr. McKemie.

I would like the committee and the audience to know that you are one of my very valued constituents.

Mr. McKemie is also chairman of the Georgia Commodity Commission for Peanuts. His home is in Coleman, Ga. We welcome you, Mr. McKemie and you may proceed.

STATEMENT OF W. J. McKEMIE, VICE PRESIDENT, GEORGIA FARM BUREAU

Mr. McKEMIE. Thank you very much, Mr. Chairman. I appreciate the privilege of appearing before your committee this morning. You stated the people I am here to represent. We have approximately a little better than 30,000 grower members in our Peanut Commission of Georgia. I am a peanut grower myself. That is our major crop on our farm.

My statement will be short and I would like to say that there has been a tremendous amount of time and work and effort and sacrifice by the three grower areas of the peanut growers across this country. Certainly I feel that they have been one of the finest groups. They have been very conscientious. They have been very dedicated in their effort to do a job that we felt was necessary.

We have here today a number of our growers and board members from Georgia that are here to back us up. We feel that this bill, H.R. 18213, as introduced, is a good bill.

I would like to say that we support it and give it our endorsement all the way across the board.

We thank you very much for the privilege of appearing before your committee.

Mr. O'NEAL. Thank you, Mr. McKemie. It is always a pleasure to see you and have you before our committee.

Mr. McKEMIE. Thank you.

Mr. ABBITT. Mr. Chairman, I might say I know Mr. McKemie a long time and he is a fine person.

Mr. McKEMIE. Thank you, sir.

Mr. O'NEAL. The next witness is Mr. Barton Scott. Will you come to the witness stand, please?

I believe Mr. Scott, you were introduced yesterday.

STATEMENT OF BARTON SCOTT, BINGER, OKLA., DIRECTOR, SOUTHWESTERN PEANUT GROWERS ASSOCIATION

Mr. SCOTT. I was introduced to the committee.

Mr. O'NEAL. I see you have a prepared statement. You may proceed.

Mr. SCOTT. Thank you, sir.

Mr. Chairman and members of the committee, I am Barton Scott of Binger, Okla. I am a farmer. As a part of my operation I grow some 230 acres of peanuts. I am a member of the board of directors of Southwestern Peanut Growers' Association. Our association operates in all peanut-producing States west of the Mississippi River. Our association enthusiastically endorses this bill.

This bill would not force any grower to switch from the present program if he does not want to do so. He can continue to plant his full acreage allotment and sell it at 75 percent of parity. However, if the grower wants to cut his acreage in return for a higher price, he can do so.

Although the bill is called a certificate plan, it can be administered very simply. The grower will receive the full loan price at the time he markets his peanuts just as he does now. In addition, he can pick up the certificate value at the county ASCS office probably immediately after each sale at a minimum of inconvenience to himself.

Also, this program maintains the acreage concept supported almost unanimously by peanut growers in the Southwest and allows the sale at full market value of all the production on the acreage the farmer chooses to grow provided he does not exceed his acreage allotment. It maintains the present 1,610,000 national acre allotment, at the same time it achieves the three objectives set out by Secretary Freeman—(1) maintains and improves producer income (2) reduces Government cost and (3) provides adequate supplies of peanuts at reasonable prices. The price of peanut products going to consumers will go up a little bit, but so has everything else and the cost of everything we farmers buy to produce the crop has gone up, as you know.

To me this is a good program for the peanut grower—a democratic one in which he may choose his own method of participation.

Thank you gentlemen for your time. The 10,000 members of the Southwestern Peanut Growers' Association will be grateful to you for your help in passing this bill.

Mr. O'NEAL. Thank you, Mr. Scott. Are there any questions?

If not, the next witness is Mr. Jack Coppage.

Mr. Coppage, were you here yesterday?

Mr. COPPAGE. Yes, I was, sir.

Mr. O'NEAL. I believe you were and you were presented to the committee. You may have a seat and proceed.

STATEMENT OF JACK COPPAGE, HOLDENVILLE, OKLA., VICE PRESIDENT, OKLAHOMA PEANUT GROWERS ASSOCIATION

Mr. COPPAGE. Mr. Chairman and members of the committee, I know there are time problems involved and I will be as brief as possible.

My name is Jack Coppage. I am a farmer from Holdenville, Okla., and vice president of the Oklahoma Peanut Growers Association.

Our growers from our area are wholeheartedly endorsing H.R. 18213. I wholeheartedly ask your support on this bill. Thank you very much for your time.

Mr. O'NEAL. Thank you, Mr. Coppage. We are very glad to have you with us.

Mr. Clinton Williams.

Mr. Williams, I believe, is from Madill, Okla.

STATEMENT OF CLINTON WILLIAMS, CHAIRMAN, OKLAHOMA PEANUT COMMISSION

Mr. O'NEAL. I see you are chairman of the Oklahoma Peanut Commission.

Mr. WILLIAMS. Yes, sir.

Mr. Chairman and members of this committee, I am Clinton Williams, a farmer of Madill, Okla. I am also here as chairman of the Oklahoma Peanut Commission, which is authorized by Oklahoma law.

I feel very deeply about this bill which is before you at this time for your consideration. The 7,000 peanut producers of Oklahoma with an average allotment of some 20 acres per farm need this legislation.

This bill has certain built-in features which will enable the small

farmer to stay in the rural sections where he belongs. We are currently receiving less for peanuts than we were 13 years ago.

Our labor and machinery costs have doubled and only a small percent of our producers receive in excess of the \$3,000 net income which the Federal Government says is a mere existence level.

As chairman of the Oklahoma Peanut Commission and as a farmer, I wish to thank you for your time and your consideration.

Mr. O'NEAL. Thank you, and we are very glad to have you.

Now we hear from Texas and I believe the next witness is Mr. W. E. Stacey.

Mr. Stacey comes from Bigfoot, Tex.

Do you want to tell us how it got its name?

**STATEMENT OF W. E. STACEY, BIGFOOT, TEX., REPRESENTING
FRIO COUNTY PEANUT GROWERS ASSOCIATION**

Mr. STACEY. I think back in history an Indian scout and a Ranger that had a big foot, they called him Bigfoot, so the place was named for him. I believe that is right.

Mr. Chairman and honorable members of the committee, my name is W. E. Stacey of Bigfoot, Frio County, Tex. My sons and I grow peanuts in south Texas, where I have been a peanut farmer all of my life. I am appearing here today in my individual capacity as well as a representative of other south Texas peanut growers.

The growers in my area of south Texas are familiar with H.R. 18145 and all are in favor of it. We feel that enactment of this proposed legislation will greatly alleviate some of the increased financial problems we have been facing in recent years.

Our net price for peanuts has actually declined since 1961. We are seriously in need of a price increase in peanuts because of the tremendous increase in farming costs during these past 7 years. We believe this bill will provide us with a fair return on our labor and investment without any increase in cost to the Government. We further believe that this bill satisfies the three criteria for sound peanut program as set out by the Secretary of Agriculture in meetings held earlier this year.

Gentlemen, I thank you for your time. The other peanut growers in my area and I want you to know that we heartily endorse and support this bill in its present form and respectfully request that the committee favorably consider and report out this vital legislation.

Mr. O'NEAL. Thank you, and we are glad to have you, Mr. Stacey. You have come a long way and we appreciate your doing that.

Mr. STACEY. Thank you.

Mr. O'NEAL. Our next witness is Mr. William Robinson. Mr. Robinson is chairman of the Peanut Committee of the Virginia Farm Bureau.

Mr. ABBITT. Mr. Chairman, he is my constituent.

Mr. O'NEAL. The Chair will recognize Mr. Abbitt for a moment.

Mr. ABBITT. He is a wonderful fellow. He is well versed in the peanut program. I know he will tell us how the people in that area feel about this legislation.

We welcome you here.

STATEMENT OF WILLIAM ROBINSON, CHAIRMAN, PEANUT COMMITTEE, VIRGINIA FARM BUREAU, EMPORIA, VA.

Mr. ROBINSON. Thank you, Mr. Abbitt.

Gentlemen, my name is William A. Robinson of Skippers, Va. I am a peanut producer and chairman of the Virginia Farm Bureau Federation Peanut Advisory Committee, which represents peanut growers in the Virginia production area.

I wish to thank you for the opportunity of appearing before your committee.

As the official spokesman for the VFBF Peanut Committee, I respectfully request your support for House bill 18213.

The Virginia Farm Bureau Federation is the largest agricultural organization in Virginia, with a membership of more than 20,000 farm families. There are farm bureau organizations in each of the peanut-producing counties.

Each of these counties have peanut committees. Our committees have studied House bill 18213 and its companion Senate bill, and the grower reaction has been favorable. At a meeting of the State peanut committee, the proposed legislation was discussed in detail, and by unanimous vote, the Virginia peanut producers voiced their support of these bills.

It is our understanding that House bill 18213 has the support of grower representatives from all peanut-producing areas in the United States.

These include the Virginia-North Carolina production area; the Southeast area, which includes Georgia, Florida, and Alabama; and the Southwest area, which is made up of Oklahoma, Texas, and New Mexico.

Gentlemen, the peanut farmer is in a critical situation, and this situation will become desperate unless new legislation is enacted.

For the past several years, the peanut farmer has been the victim of the cost-price squeeze which is gripping our agricultural economy.

He has seen his cost of agricultural input per acre of peanuts increase each year, while he has watched the percent of parity he receives diminish each year.

The Virginia peanut producer feels that the proposed legislation would meet three objectives. These objectives are:

1. Improve net income to the peanut producer.
2. Lower cost of the program to the Federal Government.
3. Provide an adequate peanut supply to the consumer.

The bill, as it is written, would provide the Virginia farmer with choices which would allow him to select the best alternative to fit into his general farm operation.

For these reasons, we respectively seek your support for early passage of this legislation.

Mr. O'NEAL. Thank you, Mr. Robinson.

The next witness now is Mr. Bill Lanier.

Mr. Lanier is well known to this committee having testified before the full committee on a good many occasions. He is president of the Georgia Farm Bureau. His home is in Metter, Ga.

We are delighted to have Mr. Lanier, as we always are. I notice he is accompanied by Mr. W. V. Rawlings, of Virginia, Mr. R. G. Danie'

Mr. Floyd King, and Mr. Joe Sugg. These men all testified yesterday, I believe.

Mr. Lanier, we would like to hear you now and you may proceed.

**STATEMENT OF BILL LANIER, PRESIDENT, GEORGIA FARM
BUREAU, METTER, GA.**

Mr. LANIER. Thank you, Mr. Chairman and gentlemen of the committee.

Mr. Chairman and gentlemen of the committee, it is my pleasure to return to this committee, and especially when it addresses itself to a bill that we are very sensitive about in Georgia.

We have approximately 54,000 members of the Farm Bureau Federation in our State. In my judgment more than a third of our members, or approximately a third of our members, have a peanut allotment. In the meetings that we have held relative to this bill that is before your committee, in the State office and out in the field, it has almost unanimous approval. So our purpose here today is to plead with this subcommittee, and ultimately the full committee and the Congress, to enact this legislation and to do it with dispatch because of the plight of the economics of the peanut grower. I have had 21 years, gentlemen, of public life, starting out at 20 and when I was 22 years old going to the Georgia Legislature, serving as a member of that august body for some six terms and serving as State director of ASCS in Georgia for three and a half years and now in my fourth year as president of the Georgia Farm Bureau Federation. Serving in these groups and these bodies, needless to say, you work with a lot of people, and a lot of committees. I think I can say this without fear of contradiction whatever, that when the peanut growers of the Southeast, the Virginia-Carolina group, and the Southwest group assembled for the purpose of perfecting a peanut program, in the many meetings we have held, I have never worked with a more conscientious and dedicated group during my public career. They did not go into this thing seeing how much they could exploit from Government or taxpayers, but really went into this with the idea that they wanted fairness, equality, and a price that would permit a farmer to remain on the farm, and the consumer would have an adequate supply of peanuts and at a reasonable price.

After some deliberation this group came together with the contents of this bill. I want to, on behalf of the Georgia Farm Bureau Federation, and myself as a peanut grower, to endorse in toto the language that is contained in this bill.

I would like to digress just a moment. You know, it has already been worth the price of my plane ticket and hotel bill from what I have heard at this table this morning. I have already learned after I got here from Massachusetts that the peanut growers in Georgia and elsewhere are doing pretty good. Really, I feel that my plane ticket and hotel bill have already been compensated for.

I would like to learn even more about this prosperity that we are enjoying in the peanut patch.

As a matter of fact, we have a record management program in the Farm Bureau. It is no secret that some of the most successful farmers of average size and up are participants in this particular program.

Our records show that there was a net profit last year of \$33.58 per acre. The average allotment in the State of Georgia is 19 acres. So then the net income for the average peanut farmer is \$638.02. There are some people in the country—and I am not here to debate the merits and demerits of this minimum income of \$3,000 and \$5,000, but to use that as a barometer or a comparison for this occasion.

With a \$33 net income per acre it would be necessary that a man have approximately 100 acres of peanuts in order to meet this poverty level income of \$3,000. The peanut grower does not care to ride the taxpayer.

All we ask for and all we seek is a reasonable chance to earn a respectable living.

When we visited with the Secretary of Agriculture on the 7th of February and told him, in effect, that we were asking of him and expecting 80 percent of parity for this year in a price-support increase, he reminded us that when he became Secretary of Agriculture that the cost of the peanut program to the Central Government was \$12 million. During his administration, this increased approximately 400 percent.

He gave us three criteria. He said, "Before I could give serious consideration to this, you will have to develop a program that would increase income to farmers. You would have to develop a program that would insure an adequate supply of peanuts with less cost to the Central Government."

This is just what this bill does. We want to endorse it and to plead with you to act as quickly as you can on this because we realize there is a time element involved in Congress wanting to adjourn and the peanut farmers need the extra income that this bill would give us.

Yesterday a gentleman from the U.S. Department of Agriculture testified on this bill. I have asked these four gentlemen to accompany me to the witness stand this morning and to give the subcommittee the benefit of the grower reaction to some four points that were mentioned by this representative of USDA.

The first gentleman I would like to present to you to cover one point is Mr. R. G. Daniell who is a member of the Legislative Committee of the Georgia Farm Bureau Federation.

R. G. DANIELL, PUBLISHER, METTER ADVERTISER, METTER, GA.

MR. DANIELL. Mr. Chairman, the grower reaction is what we are proposing to give to you because the reaction insofar as we have been able to get it in this short time, or that we are going to get, is unanimous.

The peanut growers believe that a statement is appropriate concerning the recommended changes proposed by the Department in this bill. We will discuss these changes in the order presented and I will discuss the first one and Mr. King the second, Mr. Sugg the third, and Bill Rawlings, on my right, the fourth point.

Now, to address ourselves to the first recommendation: The Department's first recommendation is that the Secretary be given discretionary authority to establish a "total support level, that is, loan plus the certificate value, that will maintain the net income of cooperating pea-

nut farmers set forth in section 401(b) of the Agricultural Act of 1949, as amended."

The essence of this proposed change is to give the Secretary discretionary authority in establishing the value of certificates issued to producers who adjust their acreage downward to or below the level recommended by the Secretary.

It would allow the Secretary to establish the value of certificates at a level other than the 1 percent of the parity price for peanuts for each 2 percent by which the recommended acreage is less than 100 percent of the farm allotment.

We believe the net effect of such discretionary authority would be for certificates to always have a value that would be less than the 2-to-1 ratio provided in the bill. We should like to enter in the record, Mr. Chairman, the fact that this 2-to-1 ratio in the value of certificate is already associated with two major compromises on the part of growers.

First, we proposed a bill that would allow growers to reduce their acreage downward to 70 percent of the allotment and receive at each level certificate payments at 1 percent of the parity price for peanuts for each 2 percent that the growers reduced acreage below the allotment, that is, the 2-to-1 ratio applied over 30 percent of the allotment.

The effect of this compromise was to remove from every grower a large range of discretionary action and, in addition, it reduced Government costs by an amount of not less than \$10 million.

Likewise, the income, the net income, if you please, of the peanut producers was reduced by the same amount.

The Department made some reasonably good arguments concerning this first proposal and the compromise.

Second, the Secretary was not allowed any discretion or any range of discretion in the first proposal. A range of discretion is provided the Secretary in the bill as it is written at this time and it increases as the bill is implemented over successive years.

The range of discretion concerns the support level that may be offered by the Secretary between the recommended percentages determined and 100 percent of the allotment within the range. The support level may vary between 75 percent of parity and the 2-to-1 ratio provided in the bill. The net effect of the first change, as recommended by the Department, is to allow the Secretary discretion to greatly reduce the attractiveness and/or any assurances to the producer. It would seem further that the net effect would be, in a different statement, the Secretary could, if he chose, keep the farmer who chose to reduce, as he directed, at the present 75 percent of parity that he now enjoys, or now is living under with the present acreage allotments.

In other words, there would be no advantage at all if the Secretary chose to use his prerogative and say that "Now, if you plant 100 percent of your acreage, you are going to get 70 percent, but if you reduce to the level that I direct, then you will get an extra 5 percent."

Now, beyond that we find no assurances in this.

Thank you, Mr. Chairman.

Mr. LANIER. I would like to present Mr. Floyd King to discuss another point contained in this USDA presentation.

FLOYD KING, PRESIDENT, OKLAHOMA PEANUT GROWERS
ASSOCIATION

Mr. KING. Mr. Chairman and members of the committee, the second recommended change would allow the minimum loan level to be reduced from the present 75 percent parity level to 70 percent.

In the compromise that has just been discussed, we have provided the Secretary a range of discretion that we really believe is adequate already. We have suffered under the present minimum loan level of 75 percent of parity. This, I think, is well known. This, I think also, has been verified by those people that we have worked with through these many weeks. At least we have heard this statement, that the producer is not doing well at 75 percent of parity. We have heard some of the distinguished gentlemen from the manufacturers' section this morning that have already made a statement to the effect that they believe that the producer is entitled to some measure of relief. This would indicate to me then that they believe 75 percent of parity is inadequate. Yet at the same time we have a proposal here to reduce the 75 percent down to 70 percent. The argument for this perhaps would be that this would apply only to those people who plant 100 percent of their allotment. This also, I would say, would mean that you can rule out the 30 to 40 percent of the small producers and ruin them and this would still be good for our agricultural economy. This goes back, I think, to a time when another Secretary of Agriculture was in office, whenever he said, "We should remove 3 million farmers from the farm and therefore agriculture would be more efficient and would be better off."

We do not go along with this conjecture and therefore we seek an increase in the support level. We do not believe that permitting the Secretary discretion to lower the minimum level is either required to achieve the objectives of the bill, nor do we believe that it is necessary. We do not believe that this is necessary to induce the producer to respond to the program itself in order to achieve the policy objectives of the Department or the Congress.

Furthermore, when considered in conjunction with the first recommendation, the price of all peanuts could conceivably decline to 70 percent of parity. This, in effect, would be impossible to sell to producers. It would, in effect, lower income to producers and would be disastrous to the small producer and I might add here something that has not been mentioned very much, but is extremely important.

I am sure that you, Congressmen, realize this, in your own home community: This would adversely affect the agricultural business field, including community business activities such as banking and other important and necessary interests to the welfare of each growing community.

While urban communities are bursting at the seams over this entire Nation because of apparently healthy growth, it is inconceivable that anyone would, in effect, propose a program which would lower the price to producers. It is our desire to improve the present program. We believe that this feature actually contributes toward depletion of the producers' economic position. We somehow feel that some of the comments here this morning would lead us to believe that the pounds program which would destroy initiative, and the individual's right to

progress and improve his position, would be a better program than what we have.

We also get an indication that perhaps no program would be better than what we have. We do not agree with this and we question strenuously whether or not they believe it.

Thank you.

Mr. LANIER. Next, Mr. Chairman, Mr. Joe Sugg.

JOE SUGG, EXECUTIVE SECRETARY, NORTH CAROLINA PEANUT GROWERS ASSOCIATION

Mr. SUGG. The third change recommended by the Department of Agriculture concerns the shifting of peanuts from a parity price determined by the use of the so-called moving average parity formula to a special parity price determined by taking a fixed base, which was suggested as the 1968 parity price for peanuts and adjusting it for changes in the parity index for each year.

We have the experience with adjustment in the method of computing parity, Mr. Chairman. We have examined the effect of parity transition when the shift was completed through the old parity formula through the transition period to the present modernized formula. Peanut prices were affected more than any other basic commodities. The price drop was approximately \$18 per ton. Also we have had the experience of observing another commodity that has made the shift proposed and has had a subsequent effect of lowering of price.

We do not consider the proposed second parity transition either necessary or appropriate and especially as we have experienced an adjustment period that has already effectively lowered our peanut price.

In previous conferences concerning the development of this bill, we, as growers, have unanimously agreed on a price change annually in 1969 of a maximum of 3 percent.

In view of the fact that we considered the present parity formula would be continued, and the fact that the manufacturers and the shellers had raised the great question of gradualism, and raising the price too much would affect the market, we agreed, through compromise, to a 1-percent maximum price increase. The Secretary could raise the prices in subsequent years.

We feel that in view of this that the proposal by the Department is out of order and not appropriate.

Mr. LANIER. Next, I would like to present Mr. Bill Rawlings, Senator Rawlings from Virginia, for an explanation of our grower reaction to another point.

W. V. RAWLINGS, EXECUTIVE SECRETARY, VIRGINIA PEANUT AND HOG GROWERS ASSOCIATION

Mr. RAWLINGS. Mr. Chairman and gentlemen of the committee, the Department recommends that the Secretary be given the discretion to establish the 1968 support level. This follows a suggestion of the manufacturers for a gradual transition to the program provided in the bill. During the 60 days that the legislation being discussed here this morning was being developed we met with the manufacturers. We listened intently and carefully to what they had to say and we re-

sponded. That response was to change from our original proposition to permit the maximum increase of certificate cost annually to the manufacturers up to 3 percent of parity until the maximum level of 90 percent of parity was achieved. As submitted the bill is substantially modified from that position. It now allows the Secretary to pass to the manufacturers each year after the first year an amount not to exceed 1 percent of parity. And that amount is discretionary with the Secretary and is, therefore, subject to negotiation between the Secretary and the manufacturers. Mr. Chairman, that is gradualism at its maximum or minimum, depending upon how you view it.

We would like to call attention to a significant bit of history bearing directly on the problem of price increases. In the statement submitted by the Department, reference is made to the \$192 support level of 1960 and the \$221 support level in the subsequent year, 1961. This, Mr. Chairman, was a net price rise of \$29 per ton in 1 year. The recorded statistics will show that peanut consumption did not drop during the marketing year beginning August 1, 1961. In fact, Mr. Chairman, the recorded statistics will show that peanut consumption continued to expand. We realize that some uncertainty exists in the minds of the manufacturers concerning the \$15 or \$16 per ton price increase provided by the bill, but the evidence available supports the conclusion that these fears are most likely unfounded. We believe, therefore, that it is reasonable and appropriate for the Congress to direct the Secretary to place the 1968 support level at 80 percent of parity.

Now, if I could ask permission to insert, or have inserted in the record of the hearings the table that I would like to refer to briefly, as far as factual statistics are concerned, I would appreciate that opportunity.

Mr. O'NEAL. Permission is granted, without objection.

(The document referred to follows:)

RELATION OF PEANUT CONSUMPTION TO PRICES

Year beginning August	Total domestic edible consumption, shelled and in shell (in thousands of pounds)	Per capita	Support price	Price to manufacturer		Average retail price, peanut butter, leading cities (cents)
				SE span	SE run	
1947	628,800	4.26	¹ \$200.00	16%	16%	2 35.9
1948	612,304	4.05	216.00	16%	16%	
1949	596,162	4.02	210.00	17 ¹ / ₄	16%	
1950	661,618	4.33	216.00	17	16%	
1951	690,900	4.39	230.56	21	19%	
1952	678,673	4.29	239.40	20 ¹ / ₄	18 ¹ / ₂	
1953	689,513	4.26	237.60	18 ¹ / ₄	18 ¹ / ₂	49.0
1954	678,881	4.11	244.80	25%	24 ¹ / ₂	49.3
1955	657,925	3.97	244.80	18 ¹ / ₂	18 ¹ / ₂	54.4
1956	718,192	4.20	227.04	18 ¹ / ₂	18 ¹ / ₂	53.6
1957	755,329	4.41	221.40	20 ¹ / ₄	20 ¹ / ₄	55.5
1958	763,504	4.34	213.20	15 ¹ / ₂	15 ¹ / ₂	55.7
1959	819,658	4.65	193.50	17%	17%	55.5
1960	874,895	4.84	201.24	17%	17 ¹ / ₄	55.5
1961	891,054	4.85	221.00	18 ¹ / ₂	18 ¹ / ₂	55.8
1962	910,883	4.85	221.40	18 ¹ / ₂	18 ¹ / ₂	57.4
1963	933,412	4.84	224.00	20	19 ¹ / ₂	57.7
1964	992,307	5.11	224.00	20 ³ / ₈	20 ¹ / ₄	58.4
1965	1,061,836	5.46	224.00			59.9
1966	1,081,793	5.46	227.00			60.0
1967			227.00			59.4

¹ In April 1947, farmers stock \$230.

² 7-month average.

Source: Bureau of Labor Statistics.

USDA STUDY, 1959-61, PRICE VERSUS CONSUMPTION

A USDA study of 1959-61 shows marketing and processing costs of peanut butter were over 70% of retail prices, also demonstrated by table. Spread between farmers stock price of peanuts and retail price of butter show all costs of product except farm prices have gone up considerably, while consumption continued to climb. There is no reason to expect a decline in consumption just because farmers get a small increase. Peanut butter is used as an example as average retail prices were available and it is the single biggest use for peanuts.

Reasonable price increase may slightly reduce consumption but affect will be negligible and temporary.

Mr. RAWLINGS. The figures are the official figures of the Bureau of Labor statistics. They are the only official statistics that have come to my attention that deal with the per capita consumption of peanut butter; it deals with the average retail price of peanut butter paid by consumers; it deals with the average price paid by peanut butter manufacturers for shelled peanuts going into peanut butter.

Now, I'd like to point out that in 1961 we received the price support increase of \$29 a ton. In that year the per capita consumption of peanut butter was 4.85 pounds per person. In 1962, the per capita consumption of peanut butter was 4.85 and there had been a \$29-per-ton increase to producers.

Nineteen hundred and sixty-three is off one-tenth; 4.8 pounds per capita.

In 1964 it was up to 5.11 pounds per capita. In 1965 it was up to 5.46 pounds per capita, and so on.

What we are saying to the committee this morning is that the only official statistics that are available do not bear out the fears that this modest increase we are talking about, which is considerably less than the \$29 in 1961, is going to have the devastating "roof-falling-in" effect on the peanut industry that has been represented to the committee. We just can find no justification for the fears.

Going back to the 2 years—1961 and 1962, when we had the price-support increase, and we find the marketplace effect the next year. I have pointed out the per capita consumption remained unchanged despite that increase. The average price to the consumer in 1961 was 55.8 cents per pound of peanut butter, with a modest increase to 57.4 in 1962. There was very little, if any, reaction at the consumer level with that increase.

With the permission of the committee, I would like to have the opportunity to file this complete statement from the Bureau of Labor Statistics and point out just one other aspect of it.

A USDA study in 1959 and 1961—we have heard about another USDA publication this morning—showed the marketing and processing cost of peanut butter was over 70 percent of the retail prices. That leaves less than 30 percent that is even affected by the price of peanuts.

Spread between the farmers' stock price of peanuts and the retail price of butter show all costs of product except farm prices have gone up considerably, while consumption continued to climb. There is no reason—this is a USDA study: "There is no reason to expect a decline in consumption just because farmers get a small increase. Peanut butter is used as an example, as average retail prices were available, and it is the single biggest use for peanuts."

The concluding statement—still quoting from the USDA study: "Reasonable price increase may slightly reduce consumption, but the effect will be negligible and temporary."

I thank you.

Mr. LANIER. Now, Mr. Chairman, I have two gentlemen I would like to present on another point.

Mr. O'NEAL. Before we get to that point, would you tell me the difference between a moving average parity formula and a fixed base parity formula? Can somebody help me with that?

Mr. RAWLINGS. I will do the best I can for you.

The moving base—that is the terminology the Department is using.

Mr. O'NEAL. Moving average is one and fixed base is the other.

Mr. RAWLINGS. The significant part to the parity formula is the average price received by growers in the immediate past 10 years. Each year you are dropping a year and picking up a more recent one. The fixed base that the Department recommended is to forget our parity as we have known it over the years, and which is used by all commodities I think except one, and go to a fixed base which they suggest would be August 1, 1968's parity price for peanuts. You would then only adjust that up or down in accordance with the index of prices paid by farmers.

Mr. O'NEAL. As I understand parity, it is the ratio between what is received for the product and what it is necessary to buy to produce that product. Is that a good statement of parity?

Mr. LANIER. That is about as close as you can get it, Mr. Chairman.

Mr. O'NEAL. What is the parity of the machinery manufacturer? Is his 100 percent? What is the parity of the fertilizer man and the insecticide man? Is that 100 percent?

Mr. LANIER. The way I would answer that question, Mr. Chairman, is—of course, they are sitting out here as an example to begin with and we have to compare with them. All we are asking for is four-fifths of what they are getting. I mean relatively speaking. You see, we are getting three-fourths now, 75 percent of parity, and we want 80 percent of parity. We are not asking for total economic equality with them. We just want four-fifths of what they are getting.

Mr. O'NEAL. If yours is four-fifths, theirs must be 100.

Mr. LANIER. Surely. It would have to be.

Mr. O'NEAL. What is the parity of the candy manufacturers and the cracker manufacturers?

Mr. KING. One hundred percent including his labor people.

Mr. LANIER. Mr. Chairman, I have two gentlemen also I would like to introduce. Mr. Schools and Dr. Paxton Marshall.

Would you gentlemen please come up?

STATEMENT OF DR. JAMES PAXTON MARSHALL, MEMBER OF FACULTY, VIRGINIA POLYTECHNIC INSTITUTE

Dr. MARSHALL. Mr. Chairman, my name is Paxton Marshall and I am a member of the faculty of the Virginia Polytechnic Institute.

There has been some discussion here this morning concerning a table published in "Agriculture Information Bulletin 230, revised as of October 1967."

The table appears on page 10. The title of the table is "Return per \$100 invested with operator and family labor and wage rates paid for hired labor, specified types of commercial farms, averages, 1956-65 and 1964-66."

Now, it is accurate, sir, that the percentage printed here is 16.34 as a return per \$100. I would like to point out, sir, that this farm includes peanuts and cotton and that its value is \$33,000. That means that 16 percent on \$33,000 is \$5,280.

I would like to point out that this operator and family must include at least two persons and if it is an average family in the United States it includes something over three persons.

Now, in the year 1966 the average per capita income in the United States was \$2,963. Two times that figure is \$5,926. The point is that even though the returns per hundred dollars invested may appear to be quite satisfactory, that the earnings on this farm figured at the 16.3 percent would be less than the husband and wife alone would expect to receive as an average per capita family.

There has been some discussion concerning the price of peanuts. Now, in 1957, sir, the price of peanuts, nationally, averaged \$221.40. In 1967 the price of peanuts nationally averaged \$227. The difference is \$5.60.

Now, if you divide either one of those figures by 2,000 pounds, you can see that it is accurate to say that the price per pound of peanuts at the farmer's level has been almost identical for a period of 10 years.

The problem has been associated with the philosophy of the supply-demand argument. This problem has possibly three aspects. One is associated with supply.

Now, it is accurate to say that the average yield has doubled, or almost doubled in the decade 1957-67. In the year 1957 average yield was 969 pounds. I would like to point out, sir, that during the decade 1940 to 1950, the average yield was only 800 pounds. By 1967 the average yield had increased to 1,765 pounds.

There has been and there is a significant upward trend in yield and, of course, this is the central issue that last brought this particular bill to this subcommittee hearing this morning.

The question on the demand side then comes as to how to reduce—effectively reduce—the supply while maintaining the social benefits that are to be gained within the society from continued increases in output per acre and at the same time how to reduce the upward trend in Government cost.

The proposed bill has been through a series of 17 alternatives that have been studied. One of these studies, or one of these alternatives included the poundage proposals. One of the poundage proposals included a recommendation that was alluded to here this morning and that was that only the domestic-use peanuts would be provided and they would go at 100 percent of parity.

Now, the effect of this type of a program on the manufacturer would have been to—had it been implemented between the years 1967 and 1968, for example—would have increased the parity price, or the support level of peanuts from \$227 to approximately \$308. That is a substantial increase in the price of peanuts and we gave serious consideration to the impact that such a proposal would have on manufacturers.

Now, in the certificate possibility as put in this bill, there is room for flexibility. The flexibility allowed the Secretary to make any decisions concerning increase, or rather the transfer of the certificate cost to the manufacturer at the rate of 1 percent of parity annually, and this is discretionary. This would mean, if implemented as submitted,

it would take 11 years before the bill could become totally effective at the consumer level if implemented in full each year.

Now, there is an issue associated with the certificate—and I might say parenthetically that the certificate idea was proposed as early as 1939–40 and can be found in some of the yearbooks that have been published by the Department.

The issue is, who pays?

Now, if the Government wishes to maintain farm income and to reduce the program costs, then there does have to be some action and the issue of who pays the Government cost is, do all taxpayers participate in supporting the peanut program, or do those people that consume peanuts support the peanut program?

Now, in addition to just the domestic use, there becomes a public question about the problem of support, and the public question revolves around the meaning of the term “adequate supply of peanuts.”

If it is in the public interest to maintain for the manufacturers, for the shellers, for the general public and for the consumers, an adequate supply of peanuts, then it seems reasonable that an additional supply at some level in excess of domestic use would be provided, and the cost of that would be borne by the general taxpayer.

Mr. LANIER. Mr. Russell Schools, Mr. Chairman.

STATEMENT OF RUSSELL C. SCHOOLS, VIRGINIA POLYTECHNIC INSTITUTE

Mr. SCHOOLS. Mr. Chairman and members of the committee, my name is Russell Schools. I also work with the faculty of the Virginia Polytechnic Institute of Virginia. The statement I would like to make refers to Bulletin 230, revised October 1967, “Farm Cost and Return,” U.S. Department of Agriculture economic research bulletin.

First of all, this publication serves a very useful purpose when comparing commercial farms by type, size, and location within the publication. The first thing one must realize is that a farm type in a certain location cannot be used as an average example for farms of that type in the entire United States.

The farm type in question here is the peanut-cotton farm, southern coastal plains. I would like to illustrate why this farm type cannot be used as typical for the peanut farmer.

The land, buildings, equipment, and livestock on this farm show a value of \$33,970. This is one of the lowest values of farms of this size—a 200-acre farm—in the entire United States. This same size farm in almost all other areas would have a value of at least \$70,000.

Two. Gross income on this farm was \$10,133. This was made up of \$1,255 from cotton, \$2,735 from livestock sales, \$4,232 from peanuts, \$1,911 from other crops sales and government payments.

Mr. Chairman, all peanut farmers do not have cotton allotments, or government payments. Any statement made regarding net income, or percent return on investment in regard to peanuts must also include all enterprises on this farm.

Hired labor costs per hour, when calculated, turned out to be 45 cents per hour. This again was a figure much too low for any type of comparison since the minimum wage in agriculture is now \$1.15.

Interest rates on this farm that we used were 4.1 percent. The prevailing rate now, I understand, is 7¼ to 7½ percent.

The next point I would like to make in the comparison of these figures cannot be made with those of a corporation because many items were calculated differently. For instance, this farmer's net return in this figure with no charge for his or his family's labor. Industry pays their management a salary before net returns are calculated.

Let me illustrate by using \$1.15 per hour for hired labor, which is now the minimum wage in agriculture, and by using \$2.98 per hour for the operator and his family labor. This is the average wage rate of nonagricultural, nonsupervisory workers in manufacturing, according to U.S. Department of Labor figures issued for May 1968. By using these figures, hired labor costs jump from \$333 to \$839.50 and it pays the operator and his family \$6,943.40 for their labor. The farmer's net return now is a net loss of \$1,236. And, you see, he has no return on his investment. This loss becomes even greater when the current interest charges are used.

Mr. Chairman, I hope this is sufficient to demonstrate the net income and percent return on investment which cannot be compared between agriculture and industry unless both use the same method of calculation.

Mr. LANIER. Mr. Chairman and gentlemen of the committee, in conclusion I would like to express the gratitude of the grower groups of the Southeast and Southwest and the Virginia-Carolina areas for this opportunity and privilege to appear before your committee and to express our interest in the bill that is now before your committee.

You, Mr. O'Neal, Mr. Gathings, to the gentleman from Arkansas and to Congressman Abbitt, the gentleman from Virginia, we are most grateful for the time and attention you have given us this date.

Mr. ABBITT. Would your group prefer to have no bill than to have a bill with amendments as suggested by the Department?

Mr. LANIER. I can speak for the Georgia Farm Bureau now. On the content of the bill we got the group together and agreed to it. Speaking for the Georgia Farm Bureau Federation; yes, sir. No bill rather than that.

Mr. O'NEAL. Thank you very much.

You have brought up very interesting aspects of this problem.

The next witness is Mr. Marshall W. Grant.

STATEMENT OF MARSHALL W. GRANT, PRESIDENT, NORTH CAROLINA PEANUT GROWERS ASSOCIATION, GARYSBURG, N.C.

Mr. GRANT. Mr. Chairman, in view of the lack of time, I will waive my opportunity.

Mr. O'NEAL. We will certainly be glad to have you, Mr. Grant. I didn't mean to say we were too late to hear from you if you would like to speak.

Mr. GRANT. I am Marshall Grant, president of the North Carolina Peanut Growers Association, also chairman of the North Carolina Farm Bureau State Peanut Committee, and also president of a local county farm bureau unit.

I too, like Mr. Lanier, cannot quite understand the situation I find myself in, with all this high income shown in the reports of those who come up with statistics showing we are making 16 percent return on our investment. That, consolidated along with seeing my name in the

paper about 2 weeks ago as a big farmer with a \$13,000 government payment—which I did receive—these things just don't weigh up when my banker called me last week and said I was overdrawn and he had already given me what money he had promised to let me operate on for this year.

Also with the fact that including these things my net income last year from my farm was less than my government payments.

The point I want to make in this is—and also this might be directed to a question from Congressman Gathings from Arkansas yesterday, about farm sizes and their relationships to other commodities—in our area, gentlemen, when peanuts get into the situation that cotton found itself in, and still is in, as far as that is concerned, then we are all going to be out of business. Peanuts have been the commodity in our area that has helped us go over the hump with the other crops along the way. We don't want to let it get into the position that with these crops we have to come and ask you for government subsidies to the consumer. We want the consumer to pay for it. He is able to pay for it. There has been no increase in the commodity we are producing for them now for 10 years, contrary to what our distinguished friend from Massachusetts said. This increase in price hasn't shown up on my price schedule now for 15 years. I don't know from where he got his figures, but it hasn't been fact with me in selling mine.

I hope that you will understand that we have worked with these gentlemen over these past 6 or 7 months, with the Department of Agriculture; we feel we have compromised all we can, and in response to the question from Congressman Abbitt from Virginia, I too would say we would much prefer to have no bill than to go in the direction of the amendments which have been offered to it because we feel we would be even worse off than we are today.

We don't want to get in a worse position. We want to change our direction and that is the objective of this whole bill.

Thank you, sir.

Mr. O'NEAL. Mr. Grant, we are delighted that you saw fit to come up and give us a statement. It has been very interesting.

Now, Mr. Milton Beach, Jr., of Oak City, N.C.

STATEMENT OF MILTON BEACH, JR., SECRETARY, NORTH CAROLINA PEANUT GROWERS ASSOCIATION, OAK CITY, N.C.

Mr. BEACH. Thank you, Mr. Chairman.

Distinguished members of the Agriculture Committee, since time is running out on us, I would like to take this opportunity to concur with my fellow grower groups speaking for this bill.

I am Milton Beach, Jr., from Oak City, N.C.

I am past president of the North Carolina Peanut Growers Association, which does represent 18,000 peanut producers. I am director of the Martin County Farm Bureau, which includes 800 to 900 farm families in my county. I am presently secretary of the North Carolina Peanut Growers Association.

I do not think I could add much to the case presented here in the last 2 days by the growers, except for one or two points that I think have not been discussed or brought out to you gentlemen.

The first of these is the average age of the peanut grower. Not only the peanut grower, but all the farmers throughout this great Nation

of ours, which range in the neighborhood, in the mid-50's, and may I ask you gentlemen to consider this: Who will be producing the necessary food and fiber to operate this great country of ours, to feed this some 200-plus million people that we will have in the very near future? We see very few young people remaining on the farm today. I say to you, gentlemen, that if something is not done to alleviate or help the situation, that one day this great country of ours is going to wake up hungry.

How do you keep Johnny back on the farm or back to the farm after he has moved to town, has worked 40 hours a week and has learned to spend his spare time doing something else? What incentive would you have to provide this young fellow in his 20's or 30's to go back and start farming? I can assure you gentlemen it wouldn't be \$1.15 an hour.

Therefore, sir, I beg of you to offer your support to this bill being discussed here today. I think it is much easier to keep our people on the farm than it is to try to get them back after they have moved away.

Thank you, Mr. Chairman and gentlemen.

Mr. O'NEAL. Thank you, Mr. Beach.

Now, the Chair would like to offer for the record a letter from Mr. Ellis L. Ganey of Abilene, Tex., to the chairman of the full committee, Mr. Poage. Without objection, this will be included in the record.

(The letter referred to follows:)

ELLIS L. GANEY PEANUT CO.,
Abilene, Tex., July 14, 1968.

HON. W. R. POAGE,
14th Texas District,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN POAGE: I am writing to advise you that I am against the peanut legislation bill now before the Agriculture Committee.

The bill as proposed helps neither the farmer, the consumer, nor the government. It will only raise the cost to the government and increase governmental control. Also it will reduce the supply of peanuts, raise the price to the consumer and result in uncertainty in the industry.

I will appreciate your opposing the bill.

Sincerely yours,

ELLIS L. GANEY.

Mr. O'NEAL. The Chair would also like to offer a telegram to me from Mr. John W. Greene, executive director of the Southeastern Peanut Association of Albany, Ga. Without objection, it will be admitted in the record.

(The telegram follows:)

SOUTHEASTERN PEANUT ASSOCIATION,
Albany, Ga., July 12, 1968.

HON. MASTON O'NEAL,
House Office Building,
Washington, D.C.

Southeastern Peanut Association in supporting the southeastern peanut growers requested several revisions in peanut legislation now pending. These were incorporated to the satisfaction of the association. Except for our request that maximum acreage reduction be limited to 30 percent of the current national allotment. Said reduction to be spread over a four-year period as follows: 1969, 15 percent; 1970, 5 percent; 1971, 5 percent; 1972, 5 percent.

It is respectfully requested and strongly urged that the foregoing limitation of 30 percent maximum be spelled out in the legislation. Both USDA and

peanut growers representatives have stated they have no objections to this revision.

JOHN W. GREENE, *Executive Director.*

Mr. O'NEAL. You will notice there were several witnesses today who had testified yesterday and they said yesterday they wanted an opportunity for rebuttal and they did get it.

I have a note at the desk that Mr. Hintlian has requested a few minutes to rebut some of the statements made today. We have a few minutes left before adjournment. We will be glad to have you come back, Mr. Hintlian.

STATEMENT OF JAMES T. HINTLIAN, PRESIDENT, NATIONAL PEANUT BUTTER MANUFACTURING ASSOCIATION, AND REPRESENTING NATIONAL CONFECTIONERS' ASSOCIATION, WASHINGTON, D.C.

Mr. HINTLIAN. I wish to thank you for giving me these few minutes in spite of the time.

Mr. Chairman and members, Mr. Rawlings' statement about per capita consumption of peanut butter supports my earlier statements before the committee. For that support we manufacturers are grateful. As I understand it from Mr. Rawlings' remarks today, after the per capita consumption remained static during the early 1960's, a steady rise in the per capita consumption has taken place in the past few years. This fact is solid testimony of the restraint exercised by peanut butter manufacturers in pricing their products. The steadily increasing per capita consumption has taken place during the past 4 years when no price increases were made at the manufacturer level by any manufacturers of any significance.

On the contrary, manufacturers have promoted peanut butter as never before, primarily by offering retailers promotions in order to feature the product and push sales.

In the meantime we have absorbed steadily increases in costs including peanuts, packaging supplies, and labor. For example, the cost of glass containers, the prime media for peanut butter packaging, has risen 25 percent during the past 3 years. We are running harder all the time to increase our unit volume and keep our prices in line. That is, out of the inflationary spiral upward, which has caused consumer revolts.

This particular piece of legislation, if enacted, would cause a 10-percent increase in the cost of peanuts and we manufacturers will then have reached the end of the line. Our prices at the manufacturing level would have to be raised accordingly in order for us to survive.

Let me draw a real brief example. An 18-ounce jar of peanut butter currently selling in the supermarket for 59 cents would sell this fall at 65 or 66 with the result that she might pick up the 12-ounce size instead of the 18-ounce size. It is now in a new price category and the housewife would hesitate. This is what would cause a reduction in consumption.

Let me reemphasize this fact: We manufacturers are not against farm prosperity. However, we don't want to shoot the goose that laid the golden egg.

Thank you.

Mr. O'NEAL. Mr. Hintlian, you have given us some very interesting statistics about farmers, their incomes, their costs, their production increases, and so forth. You have also had some interesting statistics about the price of peanut butter and your products.

Do you have any statistics that would show the history in the past 10 years of wage increases for labor in the industries that you represent?

Mr. HINTLIAN. I don't have them at hand as far as the industry is concerned.

Mr. O'NEAL. Do you have any statistics that would show the history of profits of your companies?

Mr. HINTLIAN. No, because this is hard to figure out, for the simple reason especially our larger manufacturers, the peanut butter is manufactured by divisions. Those figures are not published.

Mr. O'NEAL. Could you get anything for the record that would show us the history of profits and labor payments over the past 10 years?

Mr. HINTLIAN. Would the Chair allow me to ask one of my associates a question on that? Inasmuch as a good deal of peanut butter is manufactured by large concerns who do not publish figures as a matter of policy on their divisions, it would be impossible to get an authoritative report on this. I can speak for my own experience, however. We have granted wage increases steadily over the past 10 years. We have tried to keep within the governmental prescribed guidelines of 5 percent per annum. This is the way it has been running. This is about 50 percent in 10 years. It is easily that, if not more, for the simple reason our particular operation is not a union shop. However, we have to recognize what is going on in labor today, and when we bid for labor we have to pay the going rate.

Mr. O'NEAL. You do have to increase your labor costs, and you do try to price your product so you won't take a loss.

Mr. HINTLIAN. As I have stated we have not raised our price. We have tried to compensate for this by two methods: No. 1, raising our volume, as I have testified, and No. 2, raising our unit value by trying to become more efficient by investment in machinery that will produce a better product at faster rates.

Mr. O'NEAL. Thank you, sir.

The open sessions of the Subcommittee on Oilseeds and Rice will now stand adjourned.

(Whereupon, at 12:03 p.m., the subcommittee was adjourned.)

1870
The following is a list of the names of the members of the
Committee on the part of the House of Representatives
who were present at the meeting of the
Committee on the part of the Senate of the United States
held at Washington, D. C., on the 15th day of
January, 1870, for the purpose of
considering the report of the
Committee on the part of the House of Representatives
on the petition of the
people of the State of
California, for the admission of
that State into the Union as a
State of the United States.
The members of the Committee on the part of the House of Representatives
were: Messrs. [names], and
The members of the Committee on the part of the Senate of the United States
were: Messrs. [names].