

EXTENSION OF PUBLIC LAW 480, 83d CONGRESS

Storage

HEARINGS
BEFORE THE
COMMITTEE ON
AGRICULTURE AND FORESTRY
UNITED STATES SENATE
NINETIETH CONGRESS

SECOND SESSION

ON

S. 2891, S. 2986, and S. 3069

BILLS TO EXTEND THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954, AS AMENDED

MARCH 13, 14, AND 15, 1968

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AGRICULTURE AND FORESTRY
UNITED STATES SENATE

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EXTENSION OF PUBLIC LAW 480, 83D CONGRESS

WEDNESDAY, MARCH 13, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Jordan of North Carolina, McGovern, Montoya, Byrd of Virginia, and Young of North Dakota.

The CHAIRMAN. The committee will please come to order.

We have met today to begin hearings on Public Law 480. There are three bills before us: S. 2891, by Senator Mundt, which would extend the law for 3 years; S. 2891, introduced by me, which would extend the law for 2 years, place additional emphasis on family planning, and provide for a new use of foreign currencies; and S. 3069, introduced by me on request, which would extend the law for 3 years. In other words, the bill introduced by myself on request from the administration is about in the same language as that introduced by Senator Mundt.

These bills, with the letters from the Department dated March 12, 1968 and February 28, 1968, will be placed in the record at this point. (The documents are as follows:)

[S. 2891, 90th Cong., second sess.]

A BILL To extend for a period of three years the authority of the President to enter into agreements to finance sales under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, and to carry out programs of assistance under title II of such Act

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

[S. 2986, 90th Cong., second sess.]

A BILL To extend Public Law 480, Eighty-third Congress, for two years, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 409 of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended by striking out "December 31, 1968" and inserting in lieu thereof "December 31, 1970".

SEC. 2. (a) Section 104(h) of such Act is amended by inserting before the semicolon at the end thereof the following: ". Not less than 5 percentum of the total sales proceeds received each year shall, if requested by the foreign country, be used for voluntary programs to control population growth".

(b) Section 109(a) of such Act is amended by striking out the word "and" at the end of clauses (7) and (8), changing the period at the end of such subsection to a semicolon, and adding the following:

"(10) carrying out voluntary programs to control population growth." SEC. 3, Section 104(b) (2) of such Act is amended to read as follows:

"(2) finance activities to assist international educational and cultural exchange and to provide for the strengthening of the resources of American schools, colleges, universities and other public and nonprofit private educational agencies for international studies and research under the programs authorized by title VI of the National Defense Education Act, the Mutual Educational and Cultural Exchange Act of 1961, the International Education Act of 1966, the Higher Education Act of 1965, the Elementary and Secondary Education Act of 1965, the National Foundation on the Arts and the Humanities Act of 1965, and the Public Broadcasting Act of 1967;"

DEPARTMENT OF AGRICULTURE,
Washington, D.C., March 12, 1968.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 2986, a bill "To extend Public Law 480, Eighty-third Congress, for two years and for other purposes."

We recommend that Public Law 480 be extended for three years instead of two years. This recommendation would be consistent with the law currently in effect which directs that steps be taken to assure a progressive transition from sales for foreign currencies to sales for dollars at a rate whereby the transition can be completed by December 31, 1971.

This Department recommends passage of S. 3069, which you introduced pursuant to the President's messages on agriculture and foreign aid, rather than S. 2986.

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

Sincerely yours,

ORVILLE L. FREEMAN.

[S. 3069, 90th Cong., second sess.]

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

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

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, February 28, 1968.

HON. HUBERT H. HUMPHREY,
President of the Senate.

DEAR MR. PRESIDENT: Transmitted herewith for the consideration of the Congress is a draft bill to extend for three years the Food for Peace Act of 1966.

This Department recommends enactment of the draft bill.

In his recent foreign aid message to the Congress, the President stated that he would shortly propose an extension of the Food for Freedom program to provide emergency food assistance to stave off disaster while hungry countries build their own food production.

His message on Prosperity and Progress for the Farmer and Rural America, sent to Congress February 27, 1968, recommends continuation of the Food for Freedom Program for three more years—to December 31, 1971.

The Bureau of the Budget advises that enactment of this proposed legislation would be in accord with the President's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

The CHAIRMAN. In addition, I wish to place in the record two unpublished reports from the Department, one entitled "Agricultural Self-Help in India," and the other entitled "Report to the Advisory

Committee on Operations under Public Law 480," both of which have been furnished to committee members.

(The documents referred to follow:)

AGRICULTURAL SELF-HELP IN INDIA 1967

An Assessment

In general, 1967 has been a year of marked progress in Indian agriculture. If the present level of effort and priority continues, together with reasonable political stability, the long-run prospects are much brighter than seemed possible three years ago.

Scanty rains in the crucial June-September period for two consecutive years, 1965 and 1966, resulted in annual output of around 75 million tons. India had to import record quantities of grain to avoid widespread starvation. This year, an exceptionally good monsoon, together with the cumulative technical advances of the past 2-3 years, should result in a record crop of about 95 million tons of foodgrains, well above the previous high of 89 million tons in 1964/65.

BASIC AGRICULTURAL POLICIES

The shortages of the past two years have brought new urgency and priority to India's efforts to increase food production. This has been reflected in a sharp increase in the share of agriculture in India's development spending. At the same time, major advances in the use of high yielding seed varieties, combined with heavy doses of fertilizer, have sharply increased the technological potential for agriculture in the Indian subcontinent. Knowledge of how fully this potential will be exploited awaits the evidence of future years. But a good start has been made.

We have sought to encourage and support further progress through both our dollar and food aid programs. In fact, the self-help provisions of 1967 PL-480 agreements call for actions to increase fertilizer and pesticide availabilities, expand the use of new seeds, increase and intensify water use, provide incentive price supports, make available more credit, and increase the proportion of land devoted to food crops.

Progress in these self-help areas is described and assessed in the pages that follow.

Fertilizer

More than any other single factor, the availability and use of fertilizer will determine whether India can feed herself.

In the early sixties, what little fertilizer was available often remained unsold. In recent years, the situation has changed dramatically; demand has outrun supply, despite the rapid increase in total availability demonstrated by the following table:

Indian fiscal year	Fertilizer availability (total nutrient tons)
1960-61	375,000
1963-64	600,000
1965-66	800,000
1966-67	1,300,000
1967-68 (target)	2,185,000

This increase has been caused partly by wider knowledge of fertilizer and its benefits. But it has been accelerated substantially by improved seed varieties, better farm prices, and new Indian government policies.

Previously some farmers didn't use fertilizer for foodgrains because they knew better; it didn't increase yields very much with traditional seeds. The new varieties, by contrast, are highly responsive to heavy fertilizer doses.

In addition, some farmers didn't use fertilizer because it was not profitable—the prices of foodgrains were so low in relation to fertilizer prices that they did not gain economically. Today, partly from government action, partly from shortage, food prices have risen to the point where fertilizer use can bring the farmer very substantial profits.

Finally, the Indian government has made unprecedented amounts of fertilizer available. This has been done largely through increased imports. Fertilizer and

fertilizer raw materials have received top priority in import licensing, to the point where they now take up the equivalent of 20 per cent of Indian's export earnings.

Furthermore, the latest indications are that the 1967/68 fertilizer use target will be substantially achieved. Internal production is running behind the goal, but this lag is being offset by imports greater than those provided for in the self-help agreement.

Further import increases are anticipated at least until the early seventies. By that time the Government of India hopes that total use will be over 4 million tons and that internal production will begin to supply most of India's needs.

Most Indian internal production has been in state-run plants. These have often been inefficient, running well below capacity. Recognizing the need to step up production, India has sought both to increase the efficiency of public plants and to increase the attractiveness of private investment in fertilizer, particularly from overseas. Earlier restrictions on investment, pricing, and distribution which had been deterrents to earlier foreign involvement have been eased.

Compared with a few years ago, progress on private plants is very substantial. The long-delayed, privately-owned Coromandel plant, the first with substantial U.S. investor backing, inaugurated production in December in Andhra Pradesh. Standard Oil of Indiana is investing in a giant fertilizer complex in Madras, and the Chemical Construction Corporation (Chemico) has been awarded the contract to build it. These plus other plants at various stages of development—including the Baroda plant with Indian and Japanese capital, Kota (Delhi Cloth Mills), and the Kanpur (Imperial Chemical Industries)—could raise private sector production of nitrogen and phosphate fertilizers to about 950,000 nutrient tons, half of India's total fertilizer output, compared to the less than 300,000 tons expected from private plants this year.

Undeniably this is substantial progress. But problems do remain. Some projected private plants have not been moving forward as rapidly as hoped. Though India's climate for private enterprise has greatly improved potential investors often still encounter problems in dealing with the middle and lower levels of the Indian bureaucracy. And these difficulties on the Indian side have often been matched by reluctance on the part of U.S. investors to make major commitments in India at this time.

On balance, progress has been encouraging. But further improvement will be required in the years ahead if India is to meet its future fertilizer needs primarily from internal production.

High-Yielding Seeds

The spread of new seeds has been a most dramatic development in India food-grain production. In 1966, after extensive tests, India imported 18,000 tons of the short-stemmed Mexican wheat seeds which have revolutionized agriculture in that country. Improved rice varieties from the International Rice Research Institute in the Philippines are also having a major impact.

Both are contributing to India's intensive High-Yielding Varieties Program, aimed at sharp yield increases for wheat, rice, and coarse grains in selected areas with assured water supplies. Coverage on this program for 1967/68 is about 16 million acres, more than double the 1966/67 level.

The potential of new seeds has been dramatically demonstrated in Tanjore district in Madras. There, aided by intensive Ford Foundation aid and technical support, Indian farmers planted 600,000 acres with ADT-27, a new rice variety developed by India's plant breeders. It is expected that total production in the Tanjore area will be 900,000 tons, triple last year's crop. The increase will come both from higher yields and from planting two crops a year, when just one crop was grown before.

Farm experts are increasingly optimistic about the impact these seeds will have not just in their expanded use, but in dramatically demonstrating to farmers that far better yields are possible and inspiring adoption of other improved practices. But while the new seeds remain the most dramatic recent development in tropical agriculture, they are not a panacea. Indeed, to the degree they are successful they will increase demands for fertilizer, water, pesticides, research, extension and all the other elements on which agricultural improvement depends.

Water

Despite irrigation covering about 80 million acres, one-fourth of the total cropland area, Indian agriculture remains heavily dependent on rainfall in the right places at the right times. Thus the provision of assured water supplies continues to be a vital element in Indian agriculture development.

Recent years have seen two welcome changes in the focus of water development activities. First, there is relatively less reliance on massive irrigation schemes and more on minor irrigation such as tubewells, which have a much quicker pay-off in increased production. Second, emphasis is changing somewhat from "extensive" irrigation for drought insurance to intensive irrigation aimed at maximum production, including multiple cropping.

One of the most dramatic examples of increased minor irrigation has been the drought-stricken state of Bihar, where more tubewells were constructed during 1966 and 1967 than in the preceding decade. This is one major reason why Bihar, which received summer rainfall somewhat below normal and also suffered some disastrous flooding, is expected to produce about 8.5 million tons of foodgrains this year, compared to 4.1 million in 1966/67 and the high of 7.5 million in 1964/65.

Overall minor irrigation is targeted to increase by 3 million acres in 1967/68, and the actual increase may be higher—as much as 4 million acres.

But, while India's irrigated acreage continues to grow, and tubewell installation has often been dramatic, overall progress in water development may begin to lag behind that in the areas of fertilizer and seed, unless increased efforts are made.

The irrigation system is not yet sufficiently well managed in many cases to meet the severe demands of new rice varieties for water at the right time in the right places. Too little is known about India's ground-water resources, and survey proposals have not moved forward as rapidly as hoped. Further substantial improvement in water management is essential if increased amounts of fertilizer and high-yielding seeds are to be used most effectively in future years.

Pest Control

India suffers substantial losses for foodgrains to rats and other pests, before and after harvest. Estimates of these losses vary, with evidence insufficient to justify a firm figure.

To reduce field losses, India is undertaking a rapid increase in land sprayed by pesticides. The 1967/67 target is 125 million acres, and while there may be some shortfall, actual achievement should be at least 50 per cent above the 59 million acres covered in 1966/67. And the target has been further increased for 1968/69 to 135 million acres.

Part of this program is directed specifically toward rodent control, with the Indian government providing 4 million rupees (\$533,000) in rodenticides to farmers this year. In addition, a symposium was held recently of Indian and foreign experts to recommend action on the problem.

Losses after harvest are especially difficult to prevent because they occur not primarily in large government or private warehouses, but in the small stocks of village peasants and traders.

To help India meet these problems AID has made available on special assignment a U.S. rodent control expert. Among other things, he is working on prospects for alleviating losses through improved storage.

Credit

As farmers invest increasingly in fertilizer, new seeds, pesticides, tubewells, and other costly inputs, the availability of credit at reasonable rates becomes more and more important to agricultural progress. While credit is not yet sufficient to meet needs, India has been taking steps to increase the amount available. In this year alone, credit is being expanded by a billion rupees (\$133 million), or 18 per cent. This has included an increase in loans through cooperatives (which provide the bulk of the credit), and expansion of the role of commercial banks in financing agricultural development.

Government Pricing and Distribution Policies

India has recently adopted a system of price supports. This, combined with the high market prices induced by shortages, has provided a substantial economic incentive for farmers to adopt new practices. Both the national and state governments of India have shown real determination to keep prices at an incentive level.

Procurement prices for the fall crop now being harvested are generally well above those of last year. They are substantially higher than official supports, and Food Minister Ram has pledged that the Government will buy all grains offered at procurement price levels, since the government aims to purchase a buffer stock of several million tons to use for price stabilization and as an emergency reserve. At least one million tons of foodgrains provided in the

December 30 PL-480 agreement are to be used for this buffer stock, and India is also committed under the agreement to expanding this stock through internal procurement.

Better prices for food products are a major factor in India's efforts to increase the proportion of her land devoted to food as opposed to nonfood crops.

Other Policy Areas

In addition to progress made in the high priority matters discussed above, other significant action is being taken. Supported by USDA and AID, India is taking steps to fortify wheat flour and infant food provided as part of the PL-480 program to improve protein and vitamin content. She is maintaining her food distribution system to assure supplies for the poor but reducing the amount of food channeled through this system since the market can meet the needs of a greater portion of the people in a good crop year.

We cannot yet know whether India has put herself firmly on the road to food self-sufficiency. But the priority India is giving to agriculture is greater today, and her policies are more promising, than at any other time since the enactment of Public Law 480.

POPULATION

Though USDA has no official role in family planning, it is an area we view with great interest. In the long run India cannot solve her food problem without substantial reduction in the very rapid rate of population growth.

The basic cause of India's population explosion is a sharp fall in the death rate since World War II, from about 27 per thousand in 1945 to perhaps 17 per thousand this year. The birth rate, by contrast, has remained high at 42 per thousand or more. As a result, India's population—estimated at 520 million today—is growing by at least 2.5 per cent each year.

A major cause of the continued high birth rate is the widespread lack of knowledge regarding methods of contraception, as well as inadequacies in technical services and distribution of needed supplies. Also, though surveys indicate that most Indians favor limiting family size, most rural couples want four of five children first in order to ensure that some will survive and provide "old age security" for their parents. A continued lowering of child mortality rates through improved nutrition and health should help reduce the number of children desired.

The last two years have brought a sharp acceleration in family planning activities. The budgetary allocation was increased from \$20 million in 1966/67 to \$41 million in 1967/68. The amount for the present year is well over expenditures for family planning during the entire Third Five Year Plan period (1961-66).

In 1967 the focus of the program has shifted to emphasis on a "cafeteria" of contraceptive techniques. The Intra-uterine device (IUD) has encountered greater difficulties than anticipated. It is now one of a range of methods promoted, on a voluntary basis, including condoms, pills, and sterilization. The widespread availability of supplies is recognized as increasingly crucial.

Material incentives are playing an important role. Bonuses are paid in some states to men who are willing to be sterilized. Similar, lesser payments are often made to women who accept IUD's. In some states such as Madras and Maharashtra, incentive payments have been made to those who can persuade others to adopt birth control measures.

There is also intensive discussion within India of legislative remedies, such as an increase in the minimum marriage age—now 15 for women and 18 for men.

Thus far, however, these efforts can only be seen as a good beginning. India's population is growing by about 13 million a year; at present family planning programs are probably affecting less than a million births annually. As important as money, and more difficult to secure, are skilled personnel and administrative machinery at the local level to reach potential parents in sufficient numbers.

But India's population program is clearly a serious and large scale effort. She is budgeting more today for this purpose than any other country. And action taken in November to elevate responsibility for family planning to a Cabinet-level ministry is yet another indication that the population will continue to receive increased priority.

The February 1967 PL-480 agreement includes a grant of \$13.5 million in rupees for population projects.

REPORT TO THE ADVISORY COMMITTEE ON OPERATIONS UNDER PUBLIC LAW 480,
AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954, AS AMENDED,
JANUARY 1 TO OCTOBER 31, 1967

This report to the Advisory Committee established by Section 407 of the amended PL 480 covers the first 10 months of operations under the amended legislation from January 1, 1967 to October 31, 1967.

MATCHING SUPPLY WITH REQUIREMENTS

One of the basic changes in the new legislation has been the elimination of reference to surplus agricultural commodities. Stocks of most commodities have been reduced to desirable levels by a combination of large exports, the provisions of the Agricultural Act of 1965, and previous agricultural legislation that included measures to reduce surpluses and thereby bring production into balance with requirements.

To meet food aid requirements under the changed circumstances a continual examination is conducted of food and fiber requirements and production and commercial import prospects in developing countries and of U.S. domestic requirements and commercial and non-commercial export prospects. This evaluation forms the basis for judging needs in the near future as well as for longer range plans.

FOOD AID AND SELF-HELP

The new Food for Peace Act provides that PL 480 aid must be closely linked to efforts to increase food production in recipient countries. Thus a principle increasingly recognized and applied in recent years has been spelled out as a legislative requirement. It is clear that accelerated agricultural growth in developing countries is essential to reverse a trend toward growing dependence on food aid and to improve the ability of those countries to pay for future food imports.

PL 480 as amended therefore specifies that before a Title I sale (for immediate local currency payment or long-term credit) is made, account must be taken of the "extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means of storage and distribution of agricultural commodities". Each sales agreement must describe the program which the recipient country is undertaken to improve its production, storage, and distribution of agricultural commodities and provide for termination of the agreement whenever the President finds that this program is not being adequately developed.

When a country seeks PL 480 aid from the United States its agricultural development effort is analyzed, in order to establish priority needs as well as areas where present effort is insufficient. This leads to the formulation within the U.S. Government of a set of specific self-help measures, which are negotiated with the good aid recipient country and incorporated into the formal agreement. Close USDA/AID surveillance of agricultural development in food aid recipient countries then permits continuing identification of needed self-help measures.

Specific provisions in agreements signed to date reflect the many kinds of effort essential for expanding food production. India has announced plans to almost triple fertilizer consumption over that of two years ago, and reports thus far indicate that this aim will be substantially achieved. In Indonesia the price of fertilizer is too high, relative, to that of rice to make extensive use profitable; the September PL 48 agreement provides therefore that the Indonesian Government will take steps to establish more favorable price ratio.

Reforms needed may be quite rudimentary. In the Congo a major problem is transporting food from where it is grown to town and city markets. So the agreement provides for building more farm-to-market roads. Or needs may be more sophisticated, such as establishing institutions for farm credit, or adaptive seed research. We have placed strong emphasis on improving conditions for foreign private agribusiness investment, especially in fertilizer plants.

The February 1967 agreement with India is one which covers a particularly wide range of important policy steps. Included are plans by the Indians (during the current crop year) to use 2.2 million tons of fertilizer (internal production plus imports); plant new, high-yielding varieties of foodgrains on 15 million acres; increase irrigation by 3 million acres; increase farm credit by \$133 million; expand food storage capacity; and adopt improved policies on price supports, central stockbuilding, and agricultural investment.

Recipient countries agree to submit reports on self-help performance twice each year. These will help U.S. specialists to judge whether progress is satisfactory, how the new self-help emphasis is working, and how it can be strengthened still further in the future.

ACTIONS UNDER TITLE I

From January 1 through October 30, 1967, 30 agreements with friendly countries for sales of agricultural commodities under Title I of the Act were concluded with 18 countries. The total export market value including estimated ocean transportation costs of these agreements was \$866.2 million and the estimated cost to the Commodity Credit Corporation was \$919.43 million. The difference between market value and the cost of the Commodity Credit Corporation is that the CCC cost includes the export payment, if any, as well as any costs of the differential for commodities required to be shipped on U.S. flag vessels over comparable rates of foreign flag vessels.

Agreements Signed by Country

The value of agreements, entered into during this period, for each country is shown below.

VALUE OF AGREEMENTS SIGNED JAN. 1-OCT. 31, 1967

[In millions of dollars]

Country	Export market value	CCC cost
Afghanistan.....	4.34	4.87
Brazil.....	35.95	35.95
Ceylon.....	9.97	14.34
Chile (private trade entity).....	13.69	13.69
Congo.....	9.42	12.91
Ghana.....	9.48	10.94
Guinea.....	3.42	3.51
Iceland.....	1.25	1.45
India.....	333.50	346.10
Indonesia.....	19.50	19.50
Israel.....	27.60	27.60
Korea (government-to-government).....	47.38	68.20
Korea (private trade entity).....	1.52	1.67
Liberia.....	.85	.85
Morocco.....	37.20	39.07
Pakistan.....	141.70	148.40
Sudan.....	11.45	11.45
Tunisia.....	13.78	14.23
Vietnam.....	144.20	144.70
Total.....	866.20	919.43

Commodities Included in Agreements

Quantity and market value of commodities included in agreements signed are shown on the following page.

[Quantities in metric tons unless otherwise noted. Dollar amounts in millions]

Commodity	Quantity	Market value
Wheat/wheat flour.....	5,843,700	\$395.48
Grain sorghums.....	1,475,000	78.20
Tallow, inedible.....	125,700	22.24
Vegetable oil.....	351,000	86.84
Rice.....	938,800	162.76
Tobacco.....	2,408	5.82
Barley.....	30,000	1.90
Feedgrains.....	422,900	23.48
Nonfat dry milk.....	2,860	1.50
Corn.....	65,000	3.96
Cotton.....	1,510,600	65.96
Estimated ocean transportation.....		18.06
Total.....		866.20

¹ Bales.

Transition to Dollar Sales

Section 103(b) of the law requires that steps be taken to assure a progressive transition from sales for foreign currencies to sales for dollars at a rate whereby the transition can be completed by December 31, 1971. This section also provides that, to the extent that transition to sales for dollars is not possible, transition may be made to sales for convertible foreign currencies on credit terms no less favorable to the United States than those for development loans made under Section 201 of the Foreign Assistance Act of 1961, as amended, and on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement.

The movement to dollar credit terms and ultimately to commercial dollar sales had been our goal even before the new Act. By the end of 1966 eighteen countries had signed agreements providing for payment only on dollar credit terms, ten for payment only in foreign currencies and six for payment partially in foreign currencies and partially in dollar credit.

The 1966 legislation gave increased impetus to the shift from payment in local currency to payment in dollars or local currency convertible to dollars. Of the eighteen countries participating since January 1, 1967, only three had no dollar payment provision, and six countries were moved to dollar or convertible local currency payment in whole or in part.

Most countries receiving programs under dollar credit arrangements have continued to have similar arrangements. The proportion of the dollar credit in agreements with Tunisia and Israel has been increased from 25 percent to 50 percent; and Bolivia and Ceylon have been transferred completely to dollar payments. Agreements signed with both India and Pakistan for commodity delivery after July 1, 1967, provide for payment of 20 percent in currency convertible to dollars. Because of severe financial difficulties two countries, Afghanistan and Indonesia, reverted from dollar credit sales to sales with currency convertible to dollars.

The value of payments to be made under dollar credits under agreements signed during the first 10 months of 1967 is \$108.94 million and the value of payments to be made under convertible local currency credits is \$93.86 million. Included in this total are agreements entered into with private trade entities in Korea and Chile with a total market value of \$15.21 million.

Interest Rates and Terms

Twelve agreements (including supplements) have been signed under the dollar credit provisions of the Act during January–October 1967. Two of these agreements are with private trade entities. Seven of the agreements and supplements were on the minimum credit terms provided in the legislation—a two-year grace period, 1 percent interest during the grace period and 2½ percent thereafter. (The new Foreign Assistance Act increased the interest rate to 2 percent during the grace period and this will be the rate applicable to sales agreements authorized after November 15, 1967). Five agreements provided for terms above the minimum. For example, three require interest at the cost of money to the U.S. Treasury. Two provide for no grace period.

Six agreements have been signed under the new authority for credit sales repayable in local currency convertible to dollars. Five of these agreements were on the minimum terms provided for in the Act; that is forty years, including ten-years grace with interest at one percent during the grace period and 2½ percent thereafter. One agreement provided for payment in 31 years, including a six-year grace period at the minimum interest rate.

Use of Sales Proceeds

PL 480 credit agreements provide that the proceeds generated from the sale of commodities be used for the self-help measures described in the agreement and such other economic development projects as may be mutually agreed upon by the purchasing country and the U.S. Funds are being used for various purposes, including medium and long-term farm credit to stimulate the use of improved seeds, limestone, and fertilizers; credit to cooperatives for improving grain handling and storage facilities; irrigation projects, livestock development programs, and expansion of agriculture colleges.

Initial Payment

One of the newly enacted provisions of the legislation which has been administered in sales agreements entered into since January 1, 1967, provides that "whenever practicable (the President shall) require upon delivery that no less

than 5 per centum of the purchase price of any agricultural commodities sold under Title I of this Act be payable in dollars or in the types or kinds of currencies which can be converted into dollars."

This provision has been made effective for 12 of the 18 countries with which agreements have been signed. For five countries, Afghanistan, Ceylon, Congo, Guinea, and Indonesia, it was determined to be not practicable to require the initial payment because of the poor financial conditions of these countries. Agreements with these five countries provided payment terms either on dollar credit or on convertible local currency credit. For one country, Ghana, 3 percent of the initial payment was provided by local currencies convertible into dollars and 2 percent of the initial payment was waived because of the country's poor financial condition.

Uses of Foreign Currencies

Of the total market value of the agreements signed of \$866.2 million, a total of \$663.4 million is to be paid to the United States in foreign currencies. The uses provided for these foreign currencies in percentage terms average 18.7 percent "for payment of United States obligations" and for carrying out programs of U.S. Government agencies; 16.7 percent for grants "to procure equipment, materials, facilities and services for the common defense;" 4.4 percent for loans to private enterprise; 50.8 percent for loans "to promote multilateral trade and agricultural and other economic development;" 6.9 percent for grants for the foregoing purpose; 2.5 percent for grants for maternal welfare, child health and nutrition programs, and voluntary activities "related to the problem of population growth."

Rates of Exchange

All sales agreements providing for payment in foreign currencies entered into have, in accordance with Section 103(h) of the law, provided the highest of exchange rates legally obtainable in the importing country.

Agricultural Market Development

In accordance with the provisions of Section 104(b) (1), agreements have provided that not less than the equivalent of 5 percent of foreign currencies be set aside for use to help develop new markets for United States agricultural commodities. Agreements have also provided for convertibility of not less than 2 percent of the foreign currencies.

During 1967, more than 60 organizations worked with the Department on market development either under continuing agreements or through special arrangements. This program has been a major factor in building U.S. agricultural exports to record levels. Both total agricultural exports and commercial shipments reached all-time highs in fiscal year 1967 of \$6.8 billion and \$5.2 billion, respectively.

The market development program is carried out largely in Western Europe and Japan—our major dollar markets—and is financed with converted currencies obtained under foreign currency sales agreements. Government expenditures for market development in the 1967 fiscal year amounted to \$13 million. During the past year, all of the Government's overseas market development expenditures were met with currencies generated by Public Law 480.

The 60 cooperating trade associations represent all the major agricultural export commodities. New organizations became active during the past year representing pea and lentil growers, peanut producers and the softwood plywood industry.

Participating organizations put substantial funds of their own into the program and also provide manpower and know-how from firms which process, transport, and sell U.S. agricultural products.

One U.S. market development cooperator, the Cotton Council International, took leadership during the past year in formation of the International Institute for Cotton, an 8-nation organization which has launched a large-scale promotional program to help cotton compete with the man-made fibers.

Other highlights of the past year are: (1) increased activity in the program by several of the State governments; (2) increased emphasis on retail food store promotions in the leading market cities of the world; and (3) increasing attention to technological developments such as containerized shipments.

Grants for Common Defense

Section 104(c) authorizes the use of foreign currencies to procure equipment, materials, facilities and services for the common defense, including internal security. Grants totaling the equivalent of \$110.7 million have been provided for two countries, Vietnam and Korea.

Special Provisions in Excess Currency Countries

The second proviso at the end of Section 104, which waives the applications of paragraphs (2), (3), and (4) of the first proviso in the case of an excess currency country, has resulted in several provisions in agreements with such countries. One provision is establishing the percentage of currencies for uses of U.S. Government agencies at 8 percent in agreements with India and Pakistan. Other provisions are described below.

Grants for Economic Development

The agreement signed with India in February 1967 included a grant of 12 percent of the sales proceeds for economic development. This rupee grant totals the equivalent of \$16.2 million. In addition, a \$1.6 million grant of rupees arising from previous transactions is under consideration for American-sponsored hospitals in India.

Two agreements signed with Pakistan during the period under review have provided for economic development grants. The first includes a grant of 12 percent of the proceeds for rural works projects (i.e., a total of \$3.9 million equivalent). The second provides a grant of 30 percent (\$25.7 million equivalent) for rural works. In addition, an allocation of \$8.2 million rupees was made for this purpose from PL 480 loan repayments. Under the rural works program villagers have built farm-to-market roads, drainage ditches, irrigation projects and flood embankments.

Grants for Family Planning Activities

The Pakistan and Indian agreements included a provision for a grant of 10 percent of the proceeds for maternal welfare and family planning activities. The dollar equivalent for Pakistan is \$3.3 million and for India is \$6.8 million.

An allocation of 130,000 Tunisia dinars was made recently for Population/Family Planning activities in Tunisia. This equates to approximately \$249,500 and is funded from interest and principal repayments on prior PL 480 loans.

Section 103(m)

Section 103(m) requires, in the case of "excess currency" countries, the convertibility of amounts necessary to cover all normal expenditures of American tourists, except that this convertibility need not exceed 25 percent of the currency generated under the agreement. This section requires "foreign currencies to be convertible to dollars to the extent consistent with the effectuation of the purposes of this Act, but in any event to the extent necessary to . . . (2) in the case of excess currency countries, assure convertibility by sale to American tourists, or otherwise, of such additional amount (up to twenty-five per centum of the foreign currencies received pursuant to each agreement entered into after the effective date of the Food for Peace Act of 1966) as may be necessary to cover all normal expenditures of American tourists in the importing country ;"

Local currency sales agreements with the four "excess currency" countries (India, Israel, Pakistan and Tunisia) which concluded agreements during this period have provided for convertibility based on U.S. tourist expenditures in the recipient country.

Sales of U.S.-Owned Foreign Currencies to Private American Citizens under Section 104(j)

Sales of U.S.-owned foreign currencies to American citizens continued in 1967, pursuant to Section 104(j) of the Food for Peace Act of 1966 (PL 480, as amended), formerly Sections 104(s), sales of foreign currencies for dollars to American tourists and 104(t), sales of foreign currencies for dollars to U.S. citizens.

In most countries the U.S. Government is able to use its holdings of foreign currency for official purposes. However, where currencies are held in excess of anticipated U.S. Government needs, agreements are negotiated establishing procedures under which sales may be made to private U.S. citizens.

During the first nine months of 1967, Title I local currency sales agreements were negotiated with four of the seven countries where sales arrangements have been implemented: India, Tunisia, Pakistan and Israel. Total sales to U.S. citizens in all countries where such sales are made amounted to \$2.3 million in the first nine months of 1967.

Loan to Private Enterprise

Funds were earmarked for loans to private enterprise in all Title I local currency sales agreements designed during January-October 1967 except in the case of Vietnam:

<i>Country</i>	<i>Percentage for loans to private enterprise</i>
India -----	5
Ghana -----	15
Tunisia -----	10
Vietnam -----	---
Korea -----	6
Morocco -----	10
Pakistan -----	5
Sudan -----	5
Israel -----	5

The dollar credit sales agreement totaling \$35.9 million signed with Brazil in October 1967 provides that at least 20 percent of the cruzeiro proceeds of the sale will be made available for lending to private enterprise. These funds, as well as a large share of counterpart generated under AID loans, are available for loans without discrimination to American and Brazilian firms.

During the period January 1-October 31, 1967, 29 loans totaling the equivalent of \$26.6 million were authorized to private enterprise. Loans were made for such projects as fertilizer plants in India, a pesticides plant in Pakistan, and poultry production in Korea, the Philippines and Chile. At the end of October, \$81.4 million equivalent was available for additional loans.

Identification and Publicity

The Act provides that commitments must be obtained from purchasing countries that will insure, insofar as practicable, that food commodities sold for foreign currencies are marked or identified at point of distribution or sale as being provided on a concessional basis to the recipient government through the generosity of the people of the United States. In addition, commitments must be obtained from purchasing countries to publicize widely to their people, by public media and other means, that commodities are being provided on a concessional basis through the friendship of the America people as Food for Peace.

Since most of the Title I commodities are shipped in bulk and are either processed before sale to consumers or mixed with similar commodities imported commercially or produced domestically, there generally is no practicable method available to identify U.S. commodities at the point of distribution. Where practicable, special measures are taken such as in India, for example, where identification tags are attached to bags of PL 480 foodgrains. In most cases, understandings reached with recipient governments provide for publicity at the time of signing of agreements and during the time of commodity arrivals, with emphasis on the first and last arrivals under a particular agreement. Publicity is carried out through mass media in receiving countries, including newspaper, radio and television.

DONATIONS

Donation programs are now unified under Title II of the amended legislation. Commodities are made available to U.S. non-profit voluntary agencies, international agencies and foreign governments.

CCC cost of shipments under donation programs during January-October 1967 totaled about \$333 million. FY 1967 shipments were valued at \$371 million, about the same as the preceding year. FY 1968 shipments are expected to be somewhat larger.

Ample supplies of commodities, particularly wheat and wheat products, coarse grains and vegetable oil, are available for donation programs. Strong efforts are being made to increase the effective use of these resources to help developing countries gain ground in the food and population race and to help speed up

social and economic progress. Special emphasis is being placed on programs to combat malnutrition particularly in infants and pre-school children, to provide school children with nutritious meals and to promote community development and other self-help activities, particularly to increase agricultural production. Specially developed formulated foods are being used increasingly to upgrade the diet of needy children who are particularly vulnerable to protein deficiency. CSM, a mixture of 68 percent gelatinized cornmeal, 25 percent defatted soy flour, 5 percent nonfat dry milk and 2 percent vitamins and minerals, has been the principal type of formulated food used so far. Since September 1966, over 330 million pounds have been used around the world to combat malnutrition and now a new wheat-based formulated food is ready for use.

U.S. voluntary agencies have progressed beyond the halfway point in converting from "dole feeding" (i.e., feeding unemployed or underemployed, able-bodied adults on a continuing basis) to food for work activities. This is in line with the 1964 amendment providing that insofar as practicable, assistance to needy persons to be directed toward community and other self-help activities designed to alleviate the causes of the need for such assistance.

Over 7 million children of India benefitted last year from donation programs which were substantially increased because of the catastrophic drought.

APPENDIX

Following are self-help programs included in the government-to-government agreements signed from January through October 31, 1967. In those instances in which more than one agreement has been signed, the supplementary agreement incorporates by reference the self-help programs described in the previous agreement and includes any additional self-help measures agreed upon.

AFGHANISTAN

Agreement signed July 19, 1967

1. Give highest priority to the development of agriculture during the Third Five Year Plan;
2. Continue the accelerated wheat production program which is expected to achieve self-sufficiency by the end of 1972;
3. Press ahead in expanding adaptive research in the application of fertilizers and in the use of improved seeds;
4. Take steps to maintain a full complement of students and steadily improve the quality of students and instruction in agriculture at Kabul University.
5. Work toward self-sufficiency in edible oil production.
6. Carry out such other measures as may be mutually agreed upon for the purposes specified in Section 109 (a) of the Act.

BRAZIL

Agreement signed October 5, 1967

1. Increase the proportion of GOB budget allocated to the agricultural sector;
2. Expedite reorganization of the Ministry of Agriculture along lines prescribed in the newly enacted Administrative Reform Decree Law to provide better planning and coordination for national agricultural programs;
3. Make all local currency generated from this sales agreement available for use in the agricultural sector with currencies being used as follows, and with at least matching contributions from other Brazilian resources for these purposes:
 - (a) Approximately 20 percent for credit for loans to cooperatives through the National Bank for improving marketing, grain handling and storage facilities;
 - (b) Approximately 60 percent for medium and long-term "on farm credit" to stimulate the use of inputs such as seeds, limestone, fertilizers and services;
 - (c) Approximately 10 percent for construction of more farm-to-market roads and community self-help improvement projects;
 - (d) The remainder to be used to support other priority agricultural development programs now underway, including the expansion of institutions for adaptive research and the production of agricultural limestone;
4. Encourage the multiplication and distribution of improved seeds to farmers by promoting the private seed industry through reducing government monopoly controls and providing incentives to private industry;

5. Create a more favorable environment for private enterprise and investment in agricultural supporting industries, thus enabling more effective use of available managerial, marketing and technical know-how;

6. Strengthen price incentive to farmers, encouraging them to shift to the production of needed food crops any excessive land resources being used for crops in world surplus such as coffee, cotton and sugar;

7. Accelerate implementation of the land reform distribution program in the priority zones and complete cadastral and resource surveys needed to provide an adequate tax base and the information essential for an orderly frontier settlement program;

8. Strengthen systems of collection, computation, and analysis of statistics to better measure the availability of agricultural inputs and progress in expanding production and utilization of agricultural commodities; and

9. Submit semi-annual progress reports on implementation of the above; reports are due January 31 and July 31.

CEYLON

Agreement signed October 27, 1967

1. Make every effort to increase paddy rice production from 50 million bushels per year to at least 70 million bushels by 1970, or about 8 percent per year. Most of this growth will be achieved by expanding yields through improved cultural practices. Increased use will be made of new varieties of rice such as the H-4 and H-8. In addition, more efficient use will be made of the 100,000 acres of paddy land which is now being left fallow each year.

2. Review the current and future supply situation for fertilizer and other farm chemicals, considering both imports and real and potential domestic production.

3. Make every effort to expand fertilizer utilization from 60,000 tons per year to approximately 150,000 tons by 1970.

4. Create a favorable climate for domestic or foreign private investment or foreign private investment in agriculture supply industries so that (a) modern agriculture can be developed without undue dependence on imported agricultural inputs, and (b) dependence on concessional food imports can be eliminated as rapidly as possible.

5. Carefully study the merits of redirecting any additional resources contemplated for the production of export crops now in surplus on the world market to alternative uses in expanding domestic food supplies, especially rice.

6. Review the adequacy of supplies of trained manpower in agriculture. Particular emphasis should be placed on evaluating the needs for personnel with vocational and university level training.

CONGO

Agreement signed March 15, 1967

1. To allocate a large portion of the proceeds from this Agreement as mutually agreed upon for (a) the repair and maintenance of bridges, roads and transport facilities with priority given to those which are directly related to the movement of agricultural produce and (b) for food production projects with emphasis on those programs aimed at increasing the production of foodstuffs, notably rice or similar products.

2. To encourage growth of both agricultural vocational schools and training in agricultural production at the University of Louvanium and other educational institutions.

3. To provide from the current budget presentation information for joint review on the Government's policy and program for increasing food production.

4. Such other measures as may be mutually agreed upon for the purposes specified in Section 109(a) of the Act. Specific recommendations for these additional measures are to be provided at the time of the joint review specified in 3 above and in any event within one year of this Agreement.

GHANA

Agreement signed March 3, 1967

1. To give first priority to agricultural development in the Government's development planning through increased allocation of funds and rigorous direction of new programs.

2. To press ahead as rapidly as possible with the Government's feeder road program giving first attention to those areas showing best prospects for increasing the flow of food products into urban markets.

3. Applying a substantial portion of the local currencies generated by this Agreement to self-help food production projects.

4. Provide at the time of the next budget presentation information for joint review on the Government's policy and program for increasing food production.

5. Such other measures as may be mutually agreed upon for the purposes specified in Section 109(a) of the Act. Special recommendations for these additional measures are to be provided at the time of the joint review specified in 4 above and in any event within one year of this Agreement.

Agreement signed October 27, 1967

To strengthen systems of collection, computation, and analysis of statistics to better measure the availability of agricultural inputs and progress in expanding production of agricultural commodities.

GUINEA

Agreement signed October 18, 1967

1. Request the assistance of appropriate international organizations to:

(a) Inaugurate such economic stabilization measures as may be necessary to increase agricultural production;

(b) Make studies of its agricultural programs and policy, especially of the marketing system, in order to improve efficiency and to achieve optimum production levels;

(c) Conduct periodic reviews of the Government's plans and programs for increasing food production.

2. Make available the proceeds obtained from the sales in Guinea of commodities provided under this agreement for use in agricultural development.

ICELAND

Agreement signed June 5, 1967

1. Continue its efforts to improve the agricultural sector with emphasis on crops suitable to the climate and land,

2. Continue improvement in the storage and distribution of agricultural commodities, and

3. Carry out such other measures as may be mutually agreed upon for the purpose specified in section 109(a) of the Act.

INDIA

Agreement signed February 20, 1967

1. The two Governments have consulted on the problems arising out of the gap between food production and food consumption. India has launched strong programs of economic and agricultural development accompanied by appropriate measures of import liberalization which this agreement is designed to support.

2. The two Governments are agreed that planning for food sufficiency is an integral part of the development process and necessarily the first priority in economic planning. Nevertheless programs to achieve food sufficiency will be self-defeating if they are achieved at the expense of development in other sectors of the economy.

3. The Indian Government, as part of its overall development program for the fiscal year beginning April 1967, is giving priority to its programs to improve production, storage and distribution of agricultural commodities, particularly food crops. Subject to the overall development of the economy and the availability of adequate amounts of foreign exchange, the following general targets were established for 1967/68 within the framework of the draft outline of the Fourth Five Year Plan of the Indian Government.

(a) Fertilizer production—535,000 nutrient tons of Nitrogen (N), 250,000 nutrient tons of phosphate (P_2O_5).

(b) Fertilizer imports—850,000 nutrient tons of N, 250,000 nutrient tons of P_2O_5 , and 300,000 nutrient tons of potassium (K_2O).

(c) Acreage to be placed under new varieties of seeds :

	Acres (thousands)
Rice	6,000
Wheat	3,500
Maize	
Bajra	
Jowar	5,500

(d) Crop protection—125 million acres to be sprayed.

(e) Irrigation—an increase in minor irrigation of three million acres, of which 2.4 million will be new command areas, 300,000 acres improvement in existing systems and 300,000 acres provided with supplementary irrigation; and concentration on use of irrigation for intensive production.

(f) Agricultural credit—an increase of over Rs. 1000 million in agricultural credit—short, medium and long-term—administered through government agencies, cooperatives and land development banks.

(g) Storage—owned by the Food Department and the Food Corporation of India will increase from two million tons capacity to 2.5 million tons. The Central and State Warehousing Corporation will increase their modern storage capacity by .35 million tons (to 1.8 million tons) and the States and cooperative societies will increase their facilities on modern construction designs by 5 million tons (to 2.5 million tons).

4. Further, the following is also recognized :

(a) With respect to pricing, the timely announcement of the food grain price support at levels sufficient to encourage greater production is important so that the cultivator will base his cropping pattern on certain knowledge of the return of his expenditure, and

(b) With respect to distribution, a satisfactory distribution policy is heavily dependent on the availability of stocks under the control of the Central Government, and it is the intention of the Indian Government to increase the end of year grain stocks through implementation of price support and food distribution policies.

(c) With respect to investment, implementation of the targets set forth in paragraph 3 above and of the general agricultural development program calls for a significantly larger investment in agriculture in 1967/68 than in the previous year.

5. The Indian Government has announced its intention of accelerating the domestic production capacity for fertilizer and other industrial inputs for agriculture. The Indian Government has also announced its determination to call on all possible sources of financing for these undertakings, including private investment, and has declared that it recognizes in the context the importance of policies designed to secure a favorable investment climate.

Agreement signed June 24, 1967 (1st supplementary)

1. As part of its efforts to increase the domestic production of fertilizer needed to achieve its target of food sufficiency and to reduce the demand for foreign exchange, the Government of India is accelerating its efforts to assess and if feasible develop indigenous sources of phosphate rock.

2. The Government of India has also announced its determination to give high priority to the implementation of a massive country-wide family planning program in order to limit the growth of population and ensure a better standard of living for its people.

3. The Government of India has announced that it is undertaking measures to systematically reduce the rate of foodgrain losses due to pests, particularly insects and rodents.

4. The Government of India anticipates that foodgrain acreage will increase by about 10 million acres by 1970-71 over the total area in 1964-65, while the area under cotton is expected to remain unchanged during the same period. In seeking to increase foodgrain production, the Government of India is developing and implementing a policy of announced incentive prices, improved information and extension programs, and other appropriate means.

INDONESIA

Agreement signed September 15, 1967

1. Provide budget and administrative support to expand operation of the BIMAS project over 1966 level;
2. Develop credit, fertilizer and seed program to assist farmers formerly in BIMAS;
3. Develop incentive price and government purchasing program for rice which will guarantee producers a fair price in relation to cost of fertilizer, pesticides and other off-farm cost;
4. Undertake programs to improve farm-to-market roads, marketing and storage facilities consistent with the needs of expanding food production to meet domestic requirements.

ISRAEL

Agreement signed August 4, 1967

Israel will continue to give priority to its program of agricultural development which has resulted in substantial increases in per capita food production and improvement in means for storage and distribution of agricultural commodities.

KOREA

Agreement signed March 25, 1967

In consideration of section 103(a) and section 109 of the Act, the Government of the importing country undertakes the following:

1. To give high priority to agricultural development and to fulfilling the goals of the "Second Plan" and, in particular, to place greater emphasis on (a) seed improvement, (b) marketing systems for agricultural inputs and products, (c) development of production and marketing information, and (d) provision of greater funds for agricultural research.
2. To expand family planning services.

The two Governments agree during the period of this agreement to determine progress in meeting the objectives of (1) and (2) above and to continue to strive for the most efficient allocation of financial and food resources to the agricultural sector.

LIBERIA

Agreement signed October 23, 1967

1. Give priority to agricultural development, including food crops, in the Government's budget and development planning, as evidenced by an increase in the allocation for agriculture in the Fiscal Year 1968 budget;
2. Place more adequate emphasis on practical and realistic detailed advanced planning for individual activities such as the rice zone production plan;
3. Give rigorous direction and administration to existing and new agricultural activities;
4. Give added emphasis to construction and maintenance of rural roads with priority on areas showing best potential for increased production and distribution of agricultural products;
5. Conduct studies of rice marketing to determine the effect of market mechanisms, including price policies, on production and the need for storage and processing facilities and other production incentives;
6. Strengthen systems of collection, computation and analysis of statistics to better measure the availability of agricultural inputs and progress in expanding production of agricultural commodities;
7. Provide the United States Government with information for joint review of Government of Liberia policies and programs for increasing agricultural production; and
8. Undertake such other measures as may be mutually agreed upon for the purposes specified in Section 109(a) of the Act. Specific recommendations for these additional measures are to be provided at the time of the joint review specified in 7 above and in any event within six months of the date of the sales agreement.

MOROCCO

Agreement signed April 20, 1967

1. Increase and improve crop and livestock research with emphasis on the major grain crops in both dryland and irrigated areas;
2. Improve range management;
3. Establish and maintain erosion control measures in upper watersheds adjoining irrigation development projects;
4. Increase vocational agricultural training at the secondary school level;
5. Such other measures as may be mutually agreed upon for the purposes specified in Section 109(a) of the Act.

Agreement signed October 27, 1967

To strengthen systems of collection, computation, and analysis of statistics to measure even better the availability of agricultural inputs and progress in expanding production of agricultural commodities.

PAKISTAN

Agreement signed May 11, 1967

1. Give top priority to agricultural development and to fulfilling the goals of the Third Plan.

2. Continue to take measures to attract more foreign private capital and technical and management know-how in the production and distribution of agricultural inputs; issue a statement reaffirming its attitude towards foreign investment in the agri-business sector, including to the extent practicable specific measures already taken and those contemplated to encourage investment and encouraging a speed up in negotiations and the pace of plant construction with particular emphasis on fertilizer production and other agricultural chemicals such as insecticides and fungicides.

3. Continue to give priority to improved seed, insuring to the extent practicable that the combined public and private effort, including any necessary legislation, will be sufficient to reach the established targets for food self-sufficiency including provision for appropriate standards for cleanliness, germination, and labeling of seeds.

4. In view of the substantial increase in agricultural credit needed to serve the private sector for purchase of modern agricultural inputs during the Third Plan, give serious consideration to increasing substantially the amount of such credit allocated under the Third Plan.

5. Maintain price levels for wheat and rice which will encourage production, taking into account that the purchase price for wheat and rice should be set at levels which, consistent with the requirements of economic stability, will serve as an effective incentive for production.

6. Further improve marketing and distribution systems, with greater emphasis placed on market information, and grades and standards.

7. Further improve the quality of agricultural research, education, and extension with particular attention to improved research, especially that which will lead to increased yields (such as work on need seed varieties) involving possible additional increases in budgetary allocations.

8. Continue to give priority to family planning.

Agreement signed August 3, 1967 (1st supplementary)

1. Reevaluate its future fertilizer needs in light of the greater requirements of the new varieties of wheat and rice. Recent reports indicate, for instance, that wheat has a greater need for phosphate than previously estimated.

2. Continue to stress the tubewell irrigation program which has proven so successful in the past.

SUDAN

Agreement signed June 3, 1967

1. Continue to devote its resources on priority basis to programs intended to increase food production and decrease its dependence on food imports.

2. Continue to expand cultivated regions in irrigated and rainland areas for food production.

3. Continue to (a) provide training and instruction in improved agricultural methods and techniques at the University of Khartoum and Shabat Institute of Agriculture and (b) strengthen the Agricultural Extension Service to bring technical know-how to farmers.

4. Continue to construct storage facilities as needed to support the increased agricultural production program.

5. Continue to encourage private enterprise in the marketing and distribution of grains and other foods.

6. Such other measures as may be mutually agreed upon for the purposes specified in Section 109 (a) of the Act.

TUNISIA

Agreement signed March 17, 1967

A. The importing country will continue to give priority to increasing agricultural production through allocating additional resources and by a more efficient use of existing agricultural investments.

B. Specific self-help measures will include:

1. Strengthening agricultural analysis and planning and production-oriented research for improving agricultural policies with regard to investment priorities; land use change and cropping patterns, agricultural pricing policies, farm management organization and marketing of agricultural crops.

2. Emphasis on increasing production of major cereal crops through plant breeding, seed selection and fertilization.

3. Livestock quality improvement through better breeding, feeding and disease control.

4. Optimum expansion of irrigated land development with special emphasis on ground water and erosion control in upper watersheds.

5. To apply a substantial portion of the local currencies generated by this agreement to agriculture and food production projects.

6. To provide from the current Tunisian economic budget for calendar year 1967 information to facilitate continuing discussions on the Government's policy and programs for increasing agricultural production.

7. Such other measures as may be mutually agreed upon for the purposes specified in Section 109(a) of the Act. Specific recommendations for these additional measures are to be provided at the time of the joint review specified in item 6 above and in any event within one year of this agreement.

VIETNAM

Agreement signed March 13, 1967

In consideration of section 109(a) of the law it is recognized that the Government of Viet-Nam in cooperation with the Government of the United States, is developing new policies with regard to improving production, storage and distribution of agricultural commodities and in particular with regard to rice pricing and distribution and fertilizer procurement and distribution which will lead to increased production, facilitate delivery to deficit areas, and reduce the need for the imports of rice. Additionally, these policies will assist pacification and development of rural areas.

Therefore, no additional self-help proposals are contemplated within the terms of this agreement. In subsequent agreements or amendments, progress will be reviewed and additional self-help requirements considered.

Agreement signed September 21, 1967 (1st supplementary)

- A. Pursue aggressively a policy of rapidly increasing rice production in Viet-Nam through productivity increasing measures.

- B. Develop measures to maintain the officially announced paddy price during the forthcoming harvest season and to assure favorable returns to producers.

- C. Continue to promote importation and distribution of fertilizer by cooperative and private entities with the objective of considerably higher usage at prices consistent with the announced farm price for paddy.

- D. Undertake a program for decreasing losses of stored rice.

- E. Develop longer-term price support, fertilizer and seed programs to support policy goal of increased rice production.

Agreement signed October 24, 1967 (2nd supplementary)

- A. Pursue aggressively policy of rapidly increasing pork production.

- B. Establish selling price for imported corn which will encourage its expanded use as feed grain for pork production.

- C. Develop distribution system for imported corn which will ensure that it is plentifully available to hog producers in major market areas at or near established selling price.

- D. Employ storage facilities and procedures which will minimize losses stored corn.

- E. Maintain free market for hogs and pork by removing unnecessary administrative impediments.

The CHAIRMAN. In addition to all of this, I think it might be well for the committee, as well as the country, to know what the program under the present law was for the year 1967 as well as 1966. We have here tables indicating the different countries that received these commodities, the amounts, and the various commodities disposed of.

(The tables referred to follow:)

TITLE I, PUBLIC LAW 480

VALUE OF AGREEMENTS SIGNED, JAN. 1-DEC. 31, 1967

[In millions of dollars]

Country	Market value				Total export market value	Total CCC cost
	L.C.	C.L.C.C.	D.C.	PTE		
Afghanistan.....		4.34			4.34	4.70
Brazil.....			35.95		35.95	39.30
Ceylon.....			9.97		9.97	10.90
Chile.....			17.60	13.69	31.29	32.60
China (Taiwan).....	37.50				37.50	37.50
Congo.....			23.39		23.39	26.10
Ghana.....	10.22				10.22	12.00
Guatemala.....				1.11	1.11	1.60
Guinea.....		3.42			3.42	3.60
Iceland.....			1.25		1.25	1.40
India.....	458.90	90.10			549.00	628.70
Indonesia.....		22.61			22.61	23.00
Israel.....	13.80		13.80		27.60	29.30
Iran.....				1.98	1.98	2.00
Korea.....	47.38			1.52	48.90	58.00
Liberia.....			.85		.85	.90
Morocco.....	18.10		19.10		37.20	40.20
Pakistan.....	149.70	32.10			181.80	198.60
Paraguay.....			2.40		2.40	2.90
Sudan.....	11.45				11.45	11.50
Tunisia.....	20.77		14.72		35.49	37.50
Vietnam.....	144.20				144.20	152.70
Total.....	912.02	152.57	139.03	18.30	1,221.92	1,355.00

VALUE OF AGREEMENTS SIGNED JAN. 1-DEC. 31, 1966

[In millions of dollars]

Country	Market value			Total export market value	Total CCC cost
	LC	DC	PTE		
Afghanistan.....		1.41		1.41	1.93
Algeria.....		12.60		12.60	19.81
Bolivia.....	6.52	.58		7.10	11.65
Brazil.....		63.72		63.72	101.34
Ceylon.....	4.54			4.54	6.96
Colombia.....		16.77		16.77	23.64
Congo.....	4.94	9.17		14.11	17.09
EASCO ¹		3.57		3.57	5.07
Ecuador.....		1.16		1.16	1.16
Ghana.....	7.46			7.46	10.00
Greece.....		3.77		3.77	4.03
Guinea.....	2.38			2.38	3.35
Iceland.....		2.20		2.20	2.47
India.....	555.44			555.44	771.32
Indonesia.....		45.87		45.87	65.30
Iran.....		2.73	1.98	4.71	6.64
Iraq.....		1.83		1.83	2.55
Israel.....	23.50	8.50		32.00	36.60
Ivory Coast.....		1.79		1.79	2.04
Jordan.....	5.90	1.63		7.53	9.73
Kenya.....		3.29		3.29	3.66
Korea.....	52.61			52.61	73.83
Liberia.....		.84		.84	1.15
Morocco.....	9.60	10.14		19.74	27.74
Pakistan.....	104.17			104.17	126.16
Paraguay.....		2.54		2.54	4.09
Philippines.....		20.14		20.14	27.37
Sierra Leone.....		.67		.67	.83
Sudan.....	4.16			4.16	5.26
Tunisia.....	13.37			13.37	15.76
Turkey.....	19.00			19.00	29.00
United Arab Republic (Egypt).....	41.05	14.64		55.69	81.83
Vietnam.....	176.35			176.35	212.25
Yugoslavia.....		68.45		68.45	100.25
Estimated ocean transportation for LC sales.....					80.68
Total.....	1,030.99	298.01	1.98	1,330.98	1,892.53

¹ Kenya, Uganda, and Tanzania.

AMOUNTS PROGRAMED UNDER AGREEMENTS SIGNED AND ESTIMATED MARKET VALUE OF COMMODITIES
SHIPPED JULY 1, 1954, THROUGH DEC. 31, 1967

[In thousands of dollars]

Country	Amounts programed (export market value)	Estimated market value of shipments	Country	Amounts programed (export market value)	Estimated market value of shipments
Afghanistan.....	6,371	5,935	Indonesia.....	335,191	326,087
Algeria.....	11,231	11,231	Iran.....	78,090	74,531
Argentina.....	29,875	29,875	Iraq.....	12,496	12,483
Austria.....	39,502	39,502	Israel.....	336,815	331,854
Bolivia.....	38,953	38,901	Italy.....	139,993	139,993
Brazil.....	536,520	531,216	Ivory Coast.....	8,131	8,039
Burma.....	44,103	44,103	Japan.....	135,028	135,028
Ceylon.....	36,802	29,603	Jordan.....	7,377	7,377
Chile.....	146,500	114,273	Kenya.....	11,849	11,849
Colombia.....	70,244	70,161	Kenya, Uganda, and Tanzania.....	2,536	2,325
Congo.....	108,211	91,528	Korea.....	547,496	533,510
Cyprus.....	1,897	1,897	Liberia.....	2,147	1,347
Dominican Republic.....	12,877	12,877	Mali.....	580	550
Ecuador.....	18,104	17,039	Mexico.....	24,644	24,644
El Salvador.....	648	648	Morocco.....	91,257	64,145
Ethiopia.....	7,220	4,641	Netherlands.....	247	247
Finland.....	41,182	41,182	Pakistan.....	1,183,931	1,096,268
France.....	35,558	35,558	Paraguay.....	19,358	16,985
Germany.....	1,197	1,197	Peru.....	40,070	40,070
Ghana.....	18,180	11,417	Philippines.....	54,087	54,087
Greece.....	145,595	144,026	Poland.....	498,241	498,241
Guinea.....	31,473	28,865	Portugal.....	27,816	27,816
Guatemala.....	1,109		Ryukyu Islands.....	9,383	8,123
Iceland.....	21,166	20,974	Senegal.....	3,130	3,130
India.....	3,773,214	3,507,276			

QUANTITY AND VALUE OF SHIPMENTS, CALENDAR YEARS 1966 AND 1967

[Quantities in thousands of units; dollar amounts in thousands]

Commodity	Unit	Calendar 1966		Calendar 1967	
		Quantity	Value	Quantity	Value
Wheat.....	Bushel.....	385,670	\$654,276	243,892	\$421,874
Wheat flour.....	Hundredweight.....	10,574	36,588	13,334	13,334
Rice.....	do.....	10,137	67,604	16,800	126,441
Corn.....	Bushel.....	29,562	43,020	21,131	30,807
Grain sorghums.....	do.....	88,623	107,537	76,544	102,122
Soybean oil.....	Pounds.....	219,078	27,377	658,372	73,581
Tallow.....	do.....	20,106	1,660	228,895	16,610
Tobacco.....	do.....	28,893	21,617	23,313	19,745
Cotton.....	Bales.....	708	87,087	800	87,571
Mixed feed grains.....	Pounds.....	119	21		
Barley.....	Bushels.....	1,290	1,662	1,655	1,985
Nonfat dry milk.....	Pounds.....	3,730	686	2,809	619
Dry whole milk.....	do.....	340	170		
Condensed milk.....	do.....	92,636	22,069	33,556	8,344
Evaporated milk.....	do.....	796	111		
Anhydrous milk.....	do.....	778	300		
Cottonseed.....	do.....	32,960	4,715		
Total:					
Metric tons.....		14,800.07		10,660.53	
Value.....			1,076,500		903,333

VALUE OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED JULY 1, 1954 THROUGH DEC. 31, 1967 (BY COUNTRY OF DESTINATION)

Area and country	Wheat and flour						Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Total		
	Wheat and flour	Feed grains											Market value	Ocean transportation 1	Market value including ocean transportation
Europe.....	885.0	168.3	3.2	526.5	126.9	3.7	443.2	40.4	2,207.2	173.5	2,380.7	3,113.2			
Austria.....	6.9	15.7	---	---	4.8	---	---	---	39.5	3.3	42.8	60.1			
Finland.....	10.5	2.3	---	9.5	14.4	---	2.4	2.6	41.1	2.1	43.2	56.5			
France.....	---	---	---	11.3	12.6	---	---	---	35.6	---	35.7	47.3			
Germany.....	---	---	---	23.0	---	---	---	---	1.2	---	1.2	1.2			
Iceland.....	6.2	6.2	---	9	5.3	---	9	1.3	31.1	1.3	22.4	25.9			
Italy.....	1.5	4.8	.3	76.9	20.4	---	36.4	(2)	140.0	4.6	144.6	184.3			
Netherlands.....	---	---	---	---	---	---	---	---	498.2	2	498.2	749.2			
Poland.....	250.5	66.1	2.9	124.4	6.7	3.2	44.4	---	27.8	3.3	31.1	45.0			
Portugal.....	27.8	---	---	---	---	---	---	---	501.0	26.8	527.8	590.9			
Spain.....	318.2	73.2	---	118.8	24.7	---	246.9	19.2	10.1	48.1	48.5	48.5			
United Kingdom.....	---	---	---	---	38.0	---	---	10.1	853.4	92.9	946.3	1,304.0			
Yugoslavia.....	573.4	---	---	161.5	---	.5	112.2	5.8	---	---	---	---			
Africa.....	196.8	43.3	58.4	37.8	23.3	13.6	53.0	4.0	430.2	35.1	459.3	565.3			
Algeria.....	11.2	---	---	---	---	---	---	---	11.2	---	---	15.2			
Congo.....	31.6	5.1	21.8	13.9	19.9	11.7	---	4.0	108.0	7.7	115.7	141.1			
Ghana.....	3.0	.5	6.9	2.9	2.6	---	2.2	---	18.1	---	18.1	21.8			
Ethiopia.....	---	---	---	6.6	---	---	---	---	7.2	---	7.2	10.9			
ESASO.....	2.5	---	---	---	---	---	---	---	2.5	---	2.5	3.7			
Guinea.....	6.7	.1	16.0	2.2	---	1.9	4.5	---	31.4	3.0	34.4	46.3			
Ivory Coast.....	---	---	---	---	---	---	.4	---	8.2	---	8.2	9.0			
Kenya.....	.1	11.8	7.8	---	---	---	---	---	11.9	---	11.9	13.9			

Liberia.....	1	.2	1.9						2.2	2.4	2.9
Mali.....	72.7								91.2	97.5	116.5
Morocco.....			3.1	7.2	.2				3.1	3.3	5.1
Senegal.....			.9	.2	.1				1.4	1.5	2.2
Sierra Leone.....	24.0	11.0			.5				35.5	39.9	49.6
Sudan.....	43.5	14.6		4.8					97.7	105.1	122.9
Tunisia.....											
Near East-South Asia.....	4,715.3	598.3	322.0	421.5	92.7	50.2	620.2	32.2	6,852.4	7,636.7	10,225.9
Afghanistan.....	4.1								6.4	7.3	7.5
Ceylon.....	24.4	.7	11.7						36.8	43.4	61.2
Cyprus.....	1.9								1.9	2.3	2.9
Greece.....	37.3	73.8				4.4	30.1		145.6	162.5	197.2
India.....	2,810.9	267.9	217.2	364.1	16.4	8.0	88.8	.1	3,773.4	4,213.6	5,714.4
Iran.....	71.5	2.7				.8	3.1		78.1	94.5	128.3
Iraq.....	11.3								12.5	14.8	20.2
Israel.....	103.6	143.1	4.4	5.5	1.1	20.6	42.1	15.4	336.8	369.9	470.1
Jordan.....	5.8	1.6							7.4	8.6	10.7
Pakistan.....	764.9	26.5	78.4	51.9	20.8	11.6	229.8		1,183.9	1,314.9	1,718.2
Syrian Arab Republic.....	26.4	4.6	1.5		.6				33.1	38.3	55.0
Turkey.....	284.8	22.4	3.5			2.2	145.9	6.6	465.4	512.4	693.8
United Arab Republic.....	568.4	55.0	5.3		51.7	2.6	78.1	10.0	771.1	84.7	1,146.4
Far East-Pacific.....	440.4	75.8	483.4	635.9	121.1	101.5	42.6	8.0	1,908.7	2,032.0	2,648.9
Burma.....				39.3	2.7	2.0		.1	44.1	45.8	62.3
Indonesia.....	22.0		170.8	122.7	19.7				335.2	365.4	535.9
Japan.....	47.9	13.3	13.7	52.5	6.6				135.0	148.5	201.5
Korea.....	215.1	51.8	24.3	229.6	6.9	4	11.8	7.9	547.5	589.9	781.5
Philippines.....		3.0	23.5	29.6	3.5	1.7	.4		61.7	65.8	88.9
Ryukyu Islands.....	1.0	.5	5.7	.9			.7		9.3	10.0	13.3
Thailand.....					3.9				4.1	4.3	4.4
Taiwan.....	112.3	3.6		97.5	26.1	2	29.7		270.9	290.7	372.1
Vietnam.....	42.1	3.6	245.4	63.8	50.5	95.5			500.9	511.6	589.0
Latin America.....	721.6	41.9	22.2	58.3	23.6	8.2	95.6	1.4	972.8	1,072.8	1,468.8
Argentina.....									29.9	30.7	35.9
Bolivia.....	31.6		.3	5.3		1.0	29.6		38.9	42.3	60.0
Brazil.....	520.3	6			7	2.2	11.7	1.0	536.5	602.3	840.8
Chile.....	68.2	6.3		32.8	9.0	4.2	25.6	.4	146.5	156.7	198.4
Colombia.....	38.5	2.6		11.9	1.3	.3	15.2		70.0	76.9	99.6
Dominican Republic.....	.4	.6	11.1		.7				12.8	13.7	22.8

VALUE OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED JULY 1, 1954 THROUGH DEC. 31, 1967 (BY COUNTRY OF DESTINATION)—Continued

[In millions of dollars]

Area and country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Total		
									Market value	Ocean transportation ¹	Estimated CCC cost including ocean transportation
Ecuador.....	5.6				4.2		6.5		18.0	1.2	19.2
El Salvador.....	.6		.6	1.1							22.8
Guatemala.....									1.1		1.6
Mexico.....		24.6					1.1		1.1	.5	1.6
Paraguay.....	18.4								24.6	1.0	41.2
Peru.....	25.4		9.9			.4	.5		19.3	3.3	31.1
Uruguay.....	12.6	7.2		7.2	7.5	.1	4.7		40.1	3.1	64.2
Grand total.....	6,969.1	\$927.6	889.2	1,680.0	387.8	\$177.2	\$1,254.6	\$86.0	12,371.5	1,396.4	\$13,581.5
											18,022.1

¹ Includes ocean transportation to be disbursed by CCC.		Includes the following:		Includes the following:	
² \$50,000 or less.		Cottonseed and/or soybean oil		Cottonseed and/or soybean oil	
³ \$4,400,000 of wheat sold to Spain for resale to Switzerland or financing of Swiss goods in Spain.		Linseed oil		Linseed oil	
⁴ Includes \$3,000,000 cotton lint; \$6,600,900, extra-long staple.		Lard		Lard	
⁵ Includes the following:		Tallow		Tallow	
Corn.....	\$439.5	Soybeans.....		Soybeans.....	
Oats.....	164.3	Soybean meal.....		Soybean meal.....	
Barley.....	311.8				
Grain sorghums.....	3.9				
Rye.....	.2				
Mixed feed.....					
Total.....	927.6				

⁶ Includes the following:		Includes the following:	
Canned milk.....	Millions	Fruit: Austria, Burma, Congo, Finland, Iceland, India, Israel, United Kingdom, Yugoslavia.....	Millions
Anhydrous milkfat.....	\$1.4	Seeds: Chile.....	\$16.6
Condensed milk.....	3.9	Potatoes: Spain.....	1.4
Dry whole milk.....	91.3	Poultry: Germany, Italy, Turkey, Spain, United Arab Republic, Congo.....	11.2
Nonfat dry milk.....	11.5	Beef: Spain, Israel, Turkey, United Arab Republic.....	38.7
Evaporated milk.....	31.9	Pork: Korea, Spain.....	8.5
Butter oil/ghee.....	22.1	Beans and peas, lentils: Israel, Spain, Yugoslavia, Pakistan, Congo, United Arab Republic, Brazil.....	8.7
Cheese.....	5.8	Eggs: Pakistan.....	.5
Whey.....	.1	Total.....	86.0
Total.....	177.2		

⁹ Does not include \$186,400,000 ocean transportation on local currency agreements signed after January 1965, as this amount is charged to CCC cost only.

Note: EACSO/Kenya, Uganda, and Tanzania.

VALUE OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED IN CALENDAR YEAR 1967 (BY COUNTRY OF DESTINATION)
[In millions of dollars]

Area and country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Market value ¹	Estimated CCC cost including ocean transportation ²
Europe (total): Iceland	0.5				0.7			1.3	1.4
Africa (total)	53.0	14.9	7.5	14.4	7.5		20.5	122.1	131.8
Congo	6.9		2.9	6.4	5.3			23.4	26.0
Ghana	1.0		3.8	1.7	1.7		2.0	10.2	12.6
Guinea	.9			1.1			1.1	3.4	3.9
Liberia			.8					9	9
Morocco	30.4			4.0			1.8	37.2	40.2
Sudan		11.0			.5			11.5	11.5
Tunisia	13.8	3.9		1.2			15.6	35.5	37.5
Near East-South Asia (total)	528.0	114.1		10.4	5.7	1.9	98.3	774.6	874.2
Alghanistan	2.8						1.3	4.4	4.7
Ceylon	6.8							10.0	10.9
India	400.8	91.6		6.3			41.5	549.0	628.7
Iran								1.8	2.0
Israel		22.1			.2		3.8	27.6	29.3
Pakistan	117.6			4.1	5.5	1.9	49.9	181.8	198.6
Far East-Pacific (total)	14.1	5.0	156.9	54.4	10.6	1.0	8.3	253.2	271.2
Indonesia	2.5		17.3					22.6	23.0
Korea	11.6	1.4		31.4			4.4	48.9	58.0
Taiwan				23.0	10.6		3.9	37.5	37.5
Vietnam		3.6	139.6			1.0		144.2	152.7
Latin America (total)	44.3	1.4		13.1	1.8	1.4	5.4	70.7	76.4
Brazil	34.2							36.0	39.3
Chile	7.8	1.4		13.1	1.8	1.4	4.3	31.3	32.6
Guatemala								1.1	1.6
Paraguay	2.3						1.1	2.3	2.9
Grand total	639.9	3135.4	164.4	92.3	26.3	4.3	6132.5	1,221.9	1,355.0

⁴ Includes ocean transportation for which financing is provided in the agreement.	Million dollars
² Includes \$125,200,000 ocean transportation to be disbursed by CCC.	
³ Includes the following:	
Corn	15.9
Barley	1.9
Grain sorghums	117.6
Total	13.45

⁴ Nonfat dry milk.	Million dollars
⁵ Includes the following:	
Tallow	27.3
CSO/SBO	105.2
Total	132.5

QUANTITIES OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED JULY 1, 1954, THROUGH DEC. 31, 1967 (BY COUNTRY OF DESTINATION)

Area and country	Wheat and flour (1,000 bushels)	Feed grains (1,000 bushels)	Rice (1,000 hundred- weight)	Cotton (1,000 bales)	Tobacco (1,000 pounds)	Dairy products (1,000 pounds)	Fats and oils (1,000 pounds)	Poultry (1,000 pounds)	Dry edible beans (1,000 hundred- weight)	Fruits and vegetables (1,000 pounds)	Meat (1,000 pounds)	Hay and pasture seeds (1,000 hundred- weight)
Europe (total)	532,556	142,631	508	3,671.2	178,595	46,126	3,436,759	6,203	694	190,950	58,786	
Austria	4,055	11,605		63.7	7,425					1,299		
Finland	5,881	1,458		72.3	26,256		19,449			18,771		
France				163.1	19,632							
Germany												
Iceland	3,024	3,840	43	5.5	5,929			4,542				
Italy	896	3,703		508.7	25,848		5,638			9,367		
Netherlands				1.8			253,891	30				
Poland	151,545	59,652	465	894.3	8,269	40,685	428,665					
Portugal	16,457											
Spain	110,783	62,373		2776.2	32,331		1,827,919	1,631	181	50,822	58,786	
United Kingdom				52,905						88,944		
Yugoslavia	339,915			1,185.6		5,441	901,197		513	21,747		
Africa (total)	101,718	31,605	9,318	410.2	32,451	48,728	465,684	14,033	374	309		
Algeria	6,966											
Congo	14,015	3,266	3,584	108.7	28,532	40,454		13,813	154	309		
EACSO	502											
Ethiopia	356			70.0								
Ghana	1,247	346	827	24.7	2,756		30,423					
Guinea	4,271	66	2,661	17.8		8,274	36,051		220			
Ivory Coast			1,315				5,291					
Kenya	25	8,354										
Liberia	27	36	247									
Mali	220											
Morocco	35,992			142.9	460		110,050					
Senegal			522									
Sierra Leone	209	10	162	8.1	263		419					
Sudan	12,770	7,874			440							
Tunisia	25,018	11,653		38.0			283,450	220				

QUANTITIES OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED JULY 1, 1954, THROUGH DEC. 31, 1967 (BY COUNTRY OF DESTINATION)—Continued

Area and country	Wheat and flour (1,000 bushels)	Feed grains (1,000 bushels)	Rice (1,000 hundred- weight)	Cotton (1,000 bales)	Tobacco (1,000 pounds)	Dairy products (1,000 pounds)	Fats and oils (1,000 pounds)	Poultry (1,000 pounds)	Dry edible beans (1,000 hundred- weight)	Fruits and vegetables (1,000 pounds)	Meat (1,000 pounds)	Hay and pasture seeds (1,000 hundred- weight)
El Salvador	367											
Guatemala							13,668					
Mexico		18,995										
Paraguay	22,213	37				917	3,521					
Peru	14,590		1,695			773	45,030					
Uruguay	7,431	6,205		51.4	7,862							
Grand total	4,111,318	4,756,839	143,033	12,309.6	523,636	886,634	10,129,312	39,476	2,144	7,193,656	139,441	10

¹ Includes 2,598 bushels of wheat sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain. ² Includes 7,000 bales cotton lintens and 21,100 bales extra-long staple. ³ Includes 4,000 pounds of eggs. ⁴ Includes the following:												
Corn	Thousand bushels											Thousand pounds
Barley	376,444											8,102,918
Oats	6,807											208,069
Grain sorghums	154,884											1,686,265
Rye	263,877											58,127
Mixed feed	4,737											66,441
Total	90											10,129,312
⁵ Includes the following:												
Cottonseed and/or soybean oil												
Lard												
Tallow												
Linseed oil												
Soybeans												
Soybean meal												
Total												
⁷ All fruit except potatoes for Spain. ⁸ Includes the following:												
Israel frozen beef	Thousand pounds											
Korea canned pork	34,693											
Spain canned hams	15,041											
Fatbacks	2,403											
Frozen beef and variety meats	2,547											
Turkey frozen beef	52,836											
United Arab Republic, frozen beef	14,607											
Total	16,314											
Total	139,441											

Note: EACSO/Kenya, Uganda, and Tanzania.

QUANTITIES OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED IN CALENDAR YEAR 1967 (BY COUNTRY OF DESTINATION)

Area and country	Wheat and flour (1,000 bushels)	Feed grains (1,000 bushels)	Rice (1,000 hundred- weights)	Cotton (1,000 bales)	Tobacco (1,000 pounds)	Dairy products (1,000 pounds)	Fats and oils (1,000 pounds)
Europe (total).....	186				745		
Iceland.....	186				745		
Africa (total).....	22,554	10,871	854	112.2	9,589		182,541
Congo.....	2,315		330	49.0	7,275		29,321
Ghana.....	503		440	15.0	1,874		11,023
Guinea.....	553			9.2			
Liberia.....			84				
Morocco.....	11,463			30.0			26,456
Sudan.....		7,874			440		
Tunisia.....	7,720	2,997		9.0			115,741
Near East-South Asia (total).....	291,352	87,110		50.0	4,221	8,994	945,782
Afghanistan.....	1,470						8,818
Ceylon.....	4,026	236					412,263
India.....	228,726	69,978		30.0			19,639
Iran.....		16,996			253		33,069
Israel.....				20.0	3,968	8,994	473,995
Pakistan.....	57,130						
Far East-Pacific (total).....	10,844	3,264	20,064	480.0	11,684	4,100	116,845
Indonesia.....	1,008		2,204				
Korea.....	6,816	902		280.0			63,934
Taiwan.....				200.0	11,684		52,911
Vietnam.....	3,020	2,362	17,860			4,100	
Latin America (total).....	35,640	984		90.0	1,323	6,614	46,737
Brazil.....	18,371						
Chile.....	4,409	984		90.0	1,323	6,614	33,069
Guatemala.....							13,668
Paraguay.....	12,860						
Grand total.....	360,576	¹ 102,229	20,918	732.2	29,562	² 19,708	³ 1,291,905

¹ Includes the following:

Corn.....	11,680
Grain sorghums.....	89,126
Barley.....	1,423
Total.....	102,229

² Nonfat dry milk.

³ Includes the following:

Tallow.....	396,830
Cottonseed/soybean oil.....	895,095
Total.....	1,291,905

USES OF FOREIGN CURRENCY AS PROVIDED IN AGREEMENTS SIGNED JULY 1, 1954,
THROUGH DECEMBER 31, 1967 (BY COUNTRY)¹

[In thousand dollar equivalents]

Area and country	Total amount in agreements	104(c)—Common defense	104(e)—Loans to private enterprise	104(f)—Loans to foreign governments	104(f)—Grants to Economic Development	104(h)—Grants for family welfare	104(g)—Purchase of goods or services for friendly nations	U.S. uses ²
Europe (total).....	1,963,693	9,910	13,990	780,859	187,775			971,159
Australia.....	40,075			25,452				14,643
Finland.....	42,976		3,889	24,131				14,956
France.....	35,679		6,454					29,243
Germany.....	1,200							1,200
Iceland.....	16,295			12,266	198			3,831
Italy.....	144,194		3,647	92,368				48,179
Netherlands.....	254							254
Poland.....	519,534							519,534
Portugal.....	7,082			3,400				3,682
Spain.....	488,028	9,910		239,510				240,608
United Kingdom.....	48,540							48,540
Yugoslavia.....	617,978			385,732	187,577			46,489
Africa (total).....	329,058	3,896	25,369	184,940	48,555	208		66,090
Congo.....	85,021	3,896	2,913	30,155	37,084			10,973
Ethiopia.....	843			464				379
Ghana.....	17,680		1,533	12,238				3,909
Guinea.....	30,742		1,200	20,164				9,378
Ivory Coast.....	3,126		469	1,563				1,094
Mali.....	580			377				203
Morocco.....	63,951		6,339	43,012				14,600
Senegal.....	3,292			1,646				1,646
Sudan.....	37,896		3,107	20,485	4,320			9,984
Tunisia.....	85,927		9,808	54,836	7,151	208		13,924
Near East and South Asia (total).....	6,994,397	204,935	469,650	3,782,656	1,411,649	18,350	104	1,107,053
Afghanistan.....	994			646				348
Ceylon.....	31,492		454	13,492	4,903		104	12,539
Cyprus.....	2,096		210	1,048				838
Greece.....	127,822	11,334	17,556	54,266				44,666
India.....	3,816,764		274,995	2,293,799	696,936	13,500		537,534
Iran.....	61,083	10,463	3,956	26,095				20,569
Israel.....	334,223		39,669	212,832	31,405			50,317
Jordan.....	5,900			3,682				2,218
Pakistan.....	1,292,161	79,260	53,265	420,605	640,266	4,850		93,915
Syrian Arab Republic.....	34,900			20,394				14,506
Turkey.....	487,922	103,878	62,377	167,904	2,222			151,541
United Arab Republic (Egypt).....	799,040		17,168	567,893	35,917			178,062
Far East-Pacific (total).....	1,878,529	1,035,720	37,950	313,746	18,750			446,999
Burma.....	45,849			17,950	7,387			20,512
China.....	238,814	106,788	13,098	33,260		18,750		66,918
Indonesia.....	291,902	30,542	5,456	141,589	14,459			99,856
Japan.....	146,277	17,192		105,538	600			22,947
Korea.....	585,279	486,519	7,391					91,369
Philippines.....	53,237	9,370	6,593	13,730	2,918			20,626
Thailand.....	4,303			1,679				2,624
Vietnam.....	512,868	385,309	5,412					122,147
Latin America (total).....	851,264		39,168	506,226	114,850			191,020
Argentina.....	30,525			18,199				12,326
Bolivia.....	37,101		2,410	26,147				8,544
Brazil.....	503,442			301,127	111,376			90,939
Chile.....	85,201		3,299	59,923				21,979
Colombia.....	66,222		10,505	37,646				18,071
Ecuador.....	11,527		1,200	7,230				3,097
Mexico.....	25,185		6,762	10,833				7,590
Paraguay.....	15,961		1,755	7,154	3,316			3,736
Peru.....	39,949		4,380	23,026	158			12,385
Uruguay.....	36,151		8,857	14,941				12,353
Grand total.....	12,016,941	1,254,461	586,127	5,568,427	1,788,193	18,558	18,854	2,782,321
Percent of total.....	100	10.4	4.9	46.3	14.9	0.1	0.2	23.2

¹ Many agreements provide for the various currency uses in terms of percentages of the amount of local currency accruing pursuant to sales made under each agreement. In such cases amounts included in this table for each use are determined by applying the specified percentages to the total dollar amount provided in each agreement. Amounts shown are subject to adjustment when actual commodity purchases and currency allocations have been made.

² Agreements provide that specific percentages of foreign currency proceeds be reserved for payment of U.S. obligations (including obligations entered into pursuant to legislation other than Public Law 483). The combined total shown here includes obligations where applicable under subsections 104 (a), (b), (d), (i), and (j).

USES OF FOREIGN CURRENCY AS PROVIDED IN AGREEMENTS SIGNED IN CALENDAR YEAR 1967
(BY COUNTRY) ¹

[In thousand dollar equivalents]

Area and country	Total amount in agree- ments	104(c)— Common defense	104(e)— Loans to private enterprise	104(f)— Loans to foreign govern- ments	104(f)— Grants to economic develop- ment	104(h)— Grants for family welfare	104(g)— purchase of goods or services for friendly nations	U.S. uses ²
Africa (total).....	60,538		5,992	43,476		208		10,862
Ghana.....	10,220		1,533	6,643				2,044
Morocco.....	18,100		1,810	12,670				3,620
Sudan.....	11,450		572	8,588				2,290
Tunisia.....	20,768		2,077	15,575		208		2,908
Near East and South Asia (total).....	622,400		32,376	465,900	53,636	18,350		52,138
India.....	458,900		22,945	369,543	16,200	13,500		36,712
Israel.....	13,800		690	9,660				3,450
Pakistan.....	149,700		8,741	86,697	37,436	4,850		11,976
Far East-Pacific (total).....	229,080	110,741	2,843				18,750	96,746
China.....	37,500						18,750	18,750
Korea.....	47,380	35,061	2,843					9,476
Vietnam.....	144,200	75,680						68,520
Grand total.....	912,018	110,741	41,211	509,376	53,636	18,558	18,750	159,746
Percent of total.....	100	12.2	4.5	55.9	5.9	2	2	17.5

¹ Many agreements provide for the various currency uses in terms of percentages of the amount of local currency accruing pursuant to sales made under each agreement. In such cases, amounts included in this table for each use are determined by applying the specified percentages to the total dollar amount provided in each agreement. Amounts shown are subject to adjustment when actual commodity purchases and currency allocations have been made.

² Agreements provide that specific percentages of foreign currency proceeds be reserved for payment of U.S. obligations (including obligations entered into pursuant to legislation other than Public Law 480). The combined total shown here include obligations, where applicable, under subsections 104 (a), (b), (d), (i), and (j).

TITLE II, PUBLIC LAW 480, GOVERNMENT TO GOVERNMENT AND WORLD FOOD PROGRAM—
VALUE OF COMMODITIES BY AREA AND COUNTRY, JULY 1, 1954, THROUGH DEC. 31, 1967¹

[In thousands of dollars]

Area and country	Total	Ocean transportation ²	Total commodities	Commodities						
				Bread grains	Coarse grains	Fats and oils ³	Dry beans	Milk and milk products	Blended food	Rice
Europe (total)										
Austria	28,145	2,455	25,690	149	25,530			11		
Czechoslovakia	1,995		1,995		1,995					
Germany, Federal Republic of	3,365		3,365	236	1,686	911		367		171
Germany, Soviet occupied	758		758	236	380	81				61
Hungary	13,210	562	12,648	4,043	1,907	2,083	437	3,759		414
Italy	91,546	1,637	89,909	32,708	4,728	10,306	1,155	37,326		3,686
Spain	3,761		3,761							3,761
Yugoslavia	47,206	155	47,051	45,434		1,432		101		84
Africa (total)										
Algeria	83,870	9,810	74,060	59,903		12,259	461	1,437		
Burundi	263	101	162	34	58					
Central African Republic	541	221	320	98	100	81	3	36		
Chad	125	50	75	7	65					
Congo	16,277	2,475	13,802	5,389	1,027	565	143	4,279		2,399
Dahomey	1,308	254	1,054	362	304			44		344
Ethiopia	15,124	4,106	11,018	4,949	6,069					
Ghana	605		605							
Guinea	1,763	168	1,595	346	18					
Kenya	13,029	2,041	10,988	92	7,713	1,004	17	2,162		1,231
Libya	27,457	2,336	25,121	16,890	8,231					
Malagasy Republic	29	3	26							
Mali	3,256	1,165	2,091		2,091					26
Mauritania	105	19	86	17	13			55		
Morocco	138,707	16,770	121,937	109,849	10,708	265	70	192		808
Niger	1,546	665	881	23	615			151		
Rwanda	2,005	700	1,305	700		592		55		
Rwanda-Urundi	2,619	1,275	1,344	423	299			514		
Senegal	4,470	880	3,590		3,590	108				
Somali Republic	6,527	1,797	4,730	489	4,089					
Sudan	10	1	9					9		
Tanzania	13,775	2,180	11,595	138	10,358	60	35	1,004		
Togo	1,202	300	902		902	221	19			
Tunisia	166,445	15,584	150,861	129,271	9,942	3,300	181	6,053		2,114
Uganda	360	56	304							
Upper Volta	2,615	1,040	1,565		1,565					

Near East and South Asia (total)

	627,265	104,903	522,362	405,428	53,589	22,245	105	13,684	22,656	4,474
Afghanistan.....	114,057	23,429	90,628	87,358	3,270					
Ceylon.....	9,289	1,233	8,056	4,821						
Cyprus.....	14,853	1,595	13,258	12,357	901				3,345	
Greece.....	3,526	249	3,277	3,277						
India.....	44,962	9,182	35,780	14,849	7,557	2,556		7,152	3,666	
Iran.....	31,258	5,832	25,426	19,018	5,587	2,660		7,111		
Iraq.....	4,988	1,210	3,758	3,373		258	89	38		
Israel.....	4,895	1,100	3,795	25		362		338		
Jordan.....	55,816	7,621	48,195	40,860	7,335					
Lebanon.....	16,795	1,282	15,513	14,750	7,763					
Nepal.....	5,182	962	4,220	4,042	73	49	17	49		
Pakistan.....	101,322	10,860	90,462	59,358	2,887	6,754		2,308	14,681	4,474
Syrian Arab Republic.....	27,417	4,867	22,550	18,082	4,468					
Turkey.....	25,027	1,500	23,527	16,077		3,542		3,867	41	
United Arab Republic.....	24,348	3,600	20,748		20,748					
UNRWA (Palestine refugees).....	137,550	29,750	107,800	98,813		8,064			923	
Yemen.....	10,060	1,691	8,369	8,368				1		
Far East and Pacific (total)	404,026	69,692	334,334	204,750	51,565	29,445	969	25,664	13,305	3,388

Far East and Pacific (total)

Cambodia.....	2,343		2,343							
China, Republic of.....	32,488	4,406	28,082	20,109	2,400	3,151		3,077	2,343	297
Hong Kong.....	3,857	616	3,241						1,448	55
Indonesia.....	3,658	220	3,438	59	2,271	103				5
Japan.....	35,982	55	36,957	28,946				8,011		
Korea.....	179,226	29,443	149,783	123,695	13,702	558		8,871	91	
Laos.....	21,725	658	2,067	401	137			55		2,866
Philippines.....	6,123	1,334	4,789	808	2,412	1,528		41		4150
Ryukyu Islands.....	8,349	955	7,394							
Vietnam.....	131,265	32,025	99,240	30,732	31,689	23,968	969	5,609	6,788	20
Latin America (total)	183,657	26,254	157,403	38,544	28,836	16,675	3,932	61,875	173	4,840

Latin America (total)

Bolivia.....	19,036	532	18,504	10,885		1,443	14	608		
Brazil.....	97,941	17,109	80,832	14,739	13,054	9,182	1,979	41,928		2,528
British Guiana.....	1,071	130	941	177	53	48		663		
Chile.....	7,233	886	6,347	348	25	106	46		30	
Colombia.....	11	1	10	4	53	193		5,753		
Costa Rica.....	4,127	636	3,491		1,065	926	51	1,393		56
Dominican Republic.....	5,716	1,124	4,592	939	1,626	676	445	1,906		
Ecuador.....	785	96	689	260	237	109		83		
El Salvador.....	965	227	738	258	95	169		216		
Guatemala.....	3,238		3,238		3,238					
Haiti.....	3,476	67	3,409	207	133	180	1,210	43	1,636	
Honduras.....	534	50	484	102	92	59	70	79		82
Jamaica.....	2,126	418	1,708	235	512	200		588	173	
Mexico.....	2,942	612	2,330	1,092	1,009	56		173		
Paraguay.....	33,373	4,154	29,219	9,274	7,060	3,325	167	9,393		
St. Lucia.....	30	9	21		21				12	
Uruguay.....	780	203	577	2	560		3			

TITLE II, PUBLIC LAW 480, GOVERNMENT TO GOVERNMENT AND WORLD FOOD PROGRAM—
VALUE OF COMMODITIES BY AREA AND COUNTRY, JULY 1, 1954, THROUGH DEC. 31, 1967
[In thousands of dollars]

Area and country	Total	Ocean transportation ¹	Total commodities	Commodities						
				Bread grains	Coarse grains	Fats and oils ²	Dry beans	Milk and milk products	Blended food	Rice
World food program (total)										
	170,296	27,917	142,379	61,043	47,635	12,873		20,828		
Afghanistan	4,139	790	3,349	2,285		723		341		
Algeria	12,591	1,160	11,431	9,752		889		790		
Barbados	159	20	13,139	78				61		
Botswana (Bechuanaland)	16,632	3,251	13,381		7,820	1,959		3,602		
Bolivia	1,679	208	1,471	1,211		230		30		
Brazil	3,901	675	3,226	629	617	495		1,485		
Burundi	1,391	220	1,171	148	617	188		158		
Cambodia	135	44	91			91				
Central African Republic	229	50	179		129	50				
Chad	2,380	260	2,120	2,120						
Chile	1,917	106	1,811		2,474	187		55		
China, Republic of	4,472	852	3,620	2,849	1,095	534		237		
Colombia	4,359	615	3,744	854	1,057	550		1,283		
Congo (Brazzaville)	278	47	231	112	31	65		23		
Costa Rica	866	135	731	393	60	147		131		
Cyprus	1,112	370	742		742					
Dahomey	212	37	175							
Ecuador	625	110	515	145	214	58		98		
Gabon	193	40	153			39				
Ghana	3,359	614	2,745	72	2,255	418				
Greece	195	25	170	70	100					
Guinea	249	22	227	168		21		38		
India	44,683	7,643	37,040	11,888	17,277			7,875		
Indonesia	2,324	506	1,818		1,431	119		268		
Iran	281	65	216	216						
Iraq	1,078	172	906	724	28	107		47		
Jamaica	539	62	477	115	45	194		123		
Jordan	3,385	346	3,039	1,473	1,038	418		110		
Korea	4,550	998	3,552	3,501	51					
Laos	95	12	83	38	24	14		7		

Lebanon	2,804	478	2,326	2,182	45	45	54
Lesotho (Basutoland)	1,319	200	1,119	173	305	32	641
Malawi	118	16	102	14	56	113	
Mali	846	163	743	24	606	6	
Malta	785	260	525	243	109		
Mauritania	440	82	358	484	436	271	
Mauritius	724	240	484	3,589	309		
Monrovia	5,213	608	4,605	152	13	31	
Nepal	222	70	152	40	278	232	
Paraguay	104	20	84	888	9	20	
Peru	2,631	479	2,152	95	78	25	
Philippines	986	38	948	566	111	115	
Rwanda	118	20	98	63	33	839	
Sarawak	32	7	25	3,362	1,939	142	
Senegal	667	72	595	119	44	66	
Sudan	2,497	300	2,197	119	61	18	
Surinam	117	21	96	119	23	372	
Syria	8,780	1,797	6,983	676	166	657	
Tanzania	1,686	376	1,360	2,150	1,375	248	
Thailand	177	14	163	6,063	149	265	
Togo	389	84	305	2,070	901	48	
Trinidad and Tobago	176	12	164	81	32	18	
Tunisia	3,629	265	3,364	20	34		
Turkey	10,323	1,623	8,700	2,306	5,973	1,005	3,198
Uganda	1,022	150	872	285,277	120,730	8,534	51,651
United Arab Republic	5,362	905	4,457	123,902	285,277	193,577	18,831
Upper Volta	838	275	613	2,128	1,221	5,421	
Vietnam	138	25	113	81	66		
Zambia	145	22	123	20	32		
Christmas holiday	16,688		16,688			4,206	
American voluntary relief agencies and international organizations (Total)	91,554		9,554			9,554	
Total	\$2,105,505	297,582	1,807,923	1,123,902	120,730	8,534	51,651
Ocean freight:							
Title II foreign donations	460,251	460,251					
Purchase title I currencies	3,698	3,698					
Grand total (CCC cost)	\$2,569,454	761,531	1,807,923				
Total, title II Government to Government and WFP (estimated market value)	\$1,372,644	297,582	1,075,062	573,190	196,841	6,571	150,990
							30,990
							5,188
							12,293

¹ Transfer authorizations issued at CCC cost and ocean transportation financed under title II)

² Public Law 480

³ Includes transportation to point of entry for landlocked countries.

⁴ 385,000 meters of cotton cloth.

⁵ Excludes approximately \$22,000,000 ocean freight for fiscal years 1955 and 1956 financed under the Mutual Security Act.

⁶ Calculated on the ratio of current market prices to CCC cost.

⁷ Includes butter and butter oil.

VALUE OF COMMODITY GROUPS UNDER TRANSFER AUTHORIZATIONS ISSUED, CALENDAR YEAR 1967 (BY COUNTRY)

[In thousands of dollars]¹

Total	Ocean transportation and other costs ²	Total commodities	Commodities					Other
			Bread grains	Coarse grains	Fats and oils	Dry beans	Milk and milk products	
27,770	4,900	22,870	20,901	981	422	-----	566	-----
Government to government:								
Africa (total)-----								
Mali-----	760	510	-----	510	-----	-----	-----	-----
Morocco-----	22,515	18,590	18,590	-----	-----	-----	-----	-----
Niger-----	606	306	306	-----	-----	-----	-----	-----
Tunisia-----	3,889	3,464	2,311	165	422	-----	566	-----
Near East and South Asia (total)-----								
India-----	43,852	31,507	18,620	5,826	4,694	-----	2,367	-----
Iraq-----	24,786	18,541	7,792	5,826	2,556	-----	2,367	-----
U.R.W.A.-----	1,216	916	658	-----	-----	-----	-----	-----
-----	17,850	12,050	10,170	-----	1,880	-----	-----	-----
Far East and Pacific (total)-----								
China, Republic of-----	89,408	71,902	44,217	10,018	8,979	879	2,411	5,248
Indonesia-----	3,461	2,886	1,637	-----	313	-----	936	-----
Korea-----	267	88	59	86	29	-----	-----	5
Laos-----	43,356	37,231	36,404	215	206	-----	315	-----
Vietnam-----	603	218	88	90	57	-----	-----	-----
-----	41,721	31,221	6,029	9,629	8,374	879	1,160	5,552
Latin America (total)-----								
Brazil-----	18,127	13,986	4,838	3,707	2,361	-----	2,907	173
Costa Rica-----	11,987	8,982	3,926	2,973	1,601	-----	482	-----
El Salvador-----	226	200	-----	-----	-----	-----	200	-----
Jamaica-----	196	161	45	11	47	-----	58	-----
Peru-----	1,545	1,245	224	60	200	-----	588	173
Uruguay-----	3,413	2,838	643	103	513	-----	1,579	-----
-----	760	560	-----	560	-----	-----	-----	-----
Total, government to government-----								
179,157	38,892	140,265	88,576	20,532	16,456	879	8,251	5,421
World food program:								
Africa (total)-----								
Algeria-----	17,512	2,758	8,150	3,692	1,427	-----	1,485	-----
Central African Republic-----	10,117	1,160	7,278	-----	889	-----	790	-----
Gabon-----	229	50	-----	129	50	-----	-----	-----
Ghana-----	193	40	114	-----	39	-----	-----	-----
Lesotho-----	1,926	400	-----	1,526	-----	-----	208	-----
-----	571	446	-----	173	65	-----	-----	-----

Mauritania	238	45	193	124	3	66	
Mauritius	724	240	484				
Morocco	636	200	436				
Sudan	762	135	627				106
Tanzania	586	145	441			53	70
Togo	102	25	77			16	25
Tunisia	965	85	880	506			220
Upper Volta	408	100	308	128	66		48
Zambia	55	8	47			29	18
Near East and South Asia (total)	48,101	10,090	38,011	14,322	15,162	2,474	6,053
Afghanistan	2,264	475	1,789	1,366		317	106
Cyprus	1,112	370	742		742		
India	25,450	5,458	19,992	2,680	12,637		4,675
Iraq	356	90	266	172		47	47
Jordan	2,055	312	1,743	1,259		374	110
Lebanon	2,139	400	1,739	1,640		45	54
Nepal	222	70	152	152			
Syria	6,791	1,505	5,286	2,860	1,189	494	743
Turkey	4,666	835	3,831	3,059		454	318
United Arab Republic	3,046	575	2,471	1,134	594	743	
Far East and Pacific (total)	7,288	1,565	5,723	4,684	424	362	253
China, Republic of	2,959	625	2,334	1,740		357	237
Korea	3,753	900	2,853	2,853			
Philippines	576	40	536	91	424	5	16
Latin America (total)	2,998	450	2,548	1,301	137	404	706
Barbados	159	20	139	78			61
Bolivia	376	65	311	220		61	30
Chile	275	60	215	110	45	30	30
Colombia	1,380	150	1,230	484	92	176	478
Costa Rica	664	125	539	349		114	76
Paraguay	104	20	84	40		13	31
Surinam	40	10	30	20		10	
Total world food program	75,899	14,863	61,036	28,457	19,415	4,667	8,497
Total	255,056	53,755	201,301	117,033	39,947	21,123	16,748
Ocean freight—vol. agency	43,498						5,421
Purchase title currencies	1,217						
Grand total (CCC cost)	299,771	98,470	201,301				
Total (estimated market value)	198,708	53,755	144,983	77,140	29,236	18,413	5,188
							150

¹ CCC cost.

² Including transportation to point of entry for landlocked countries.

³ 385,000 meters of cotton cloth.

TITLE II, PUBLIC LAW 480, FOREIGN DONATIONS

QUANTITIES AND VALUE OF COMMODITIES SHIPPED FOR FOREIGN RELIEF THROUGH NONPROFIT VOLUNTARY AND INTERGOVERNMENTAL ORGANIZATIONS, CALENDAR YEAR 1967

	Europe (millions of pounds)	Africa (millions of pounds)	Near East and South Asia (millions of pounds)	Far East and Pacific (millions of pounds)	Latin America (millions of pounds)	Total (millions of pounds)	Estimated CCC cost (millions of dollars)
Beans.....	0.4	5.2	5.1	0.5	19.0	30.2	2.0
Blended food.....	15.4	10.4	161.2	18.7	66.8	272.5	25.8
Bulgur.....		24.6	173.3	31.7	51.0	280.6	11.7
Butter.....					.1	.1	(1)
Corn.....		2.0		10.8	7.2	20.0	.6
Cornmeal.....	7.2	96.0	71.7	31.7	92.6	299.2	12.8
Flour.....	65.9	84.8	143.7	67.2	65.3	426.9	16.6
Grain sorghum.....	2.6	32.0	22.7			57.3	1.4
Nonfat dry milk.....	27.2	34.5	85.8	34.2	86.8	268.5	57.2
Oats, rolled.....	.2	18.7	.8	3.5	11.3	34.5	2.3
Vegetable oil.....	26.6	41.2	83.3	12.2	70.5	233.8	38.9
Wheat.....		92.8	93.2			186.0	6.0
Wheat, rolled.....	1.0	6.6	41.0	2.2	43.6	94.4	4.2
Total.....	146.5	448.8	881.8	212.7	514.2	2,204.0	179.5
Thousands of metric tons.....	66.5	203.6	400.0	96.5	233.2	999.8	

NUMBER OF RECIPIENTS IN FISCAL YEAR 1968 VOLUNTARY AGENCY FOREIGN DONATION PROGRAMS APPROVED AS OF DEC. 31 1967

Category	CARE	Catholic Relief Service	Church World Service	UNICEF	Lutheran World Relief	All other agencies	Total
Maternal/child care.....	2,171,230	3,018,141	198,067	1,283,832	43,800	49,703	764,773
Schools.....	21,538,403	5,605,804	866,367	276,530	113,050	203,042	28,603,196
Other child feeding.....	1,099,203	407,454	109,750	10,000	10,000	8,625	1,645,032
Economic development.....	78,262	701,415	25,200		900	15,000	820,777
Community development.....	50,000	1,152,504	580,700		186,900	38,026	2,008,130
Educational development.....		61,306	5,300		1,800		68,406
Health development.....	3,700						3,700
Refugees.....	600	130,332	15,200		27,100	364,225	537,457
Institutions.....	245,756	1,059,729	166,049		52,950	34,332	1,558,816
Health cases.....	64,901	1,167,079	58,500	1,520	13,800	17,821	1,323,621
Other ¹	853,745	2,479,805	164,774		88,200	54,855	3,641,379
Total recipients.....	26,105,800	15,783,569	2,189,907	1,571,832	538,500	785,629	46,975,287

¹ Family individuals and feeding centers.

The CHAIRMAN. At my request of February 20, the Department of State sends me their report on S. 2986, dated March 12, 1968, which I wish placed in the record at this point.

(The letter referred to follows:)

DEPARTMENT OF STATE,
Washington, March 12, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I refer to your letter of February 20 to Secretary Rusk requesting a report on S. 2986.

S. 2986 proposes to extend PL 480 legislation and gives special attention to solving population problems and broadening U.S. educational and cultural programs in foreign countries. While the Department of State is in general accord with the provisions of the bill, it would like to offer the following observations.

1. The first paragraph of S. 2986 proposes to extend PL 480 for two years. The Department would welcome such an extension but would much prefer that PL 480 be extended for three years. This would complete the authorization requested in 1966 and needed for long-range planning and programming. Experience with the

law since its amendment in 1966 has demonstrated that it is sound and workable. Extending it for three years would provide greater stability in its administration. A three-year extension would also be helpful in orderly implementation of Section 103(b) of the existing law, which provides for a five-year transition period from local currencies to dollars.

2. Section 2 of S. 2986 deals with the serious problem of population expansion. While this section serves to emphasize the importance of the problem, the Department suggests that the programs provided for might be carried out equally well under the existing law without amendment. The Agricultural Trade Development and Assistance Act as it now stands appears to provide ample authority for the use of proceeds of sales under it for all foreseeable kinds of population activities. Furthermore, the wording in the draft bill possibly introduces some inflexibility that could at times be unwanted; i.e. a specific country would be able to insist on using 5 per centum for a population program whereas the resources available might be better used for other purposes (this could be especially true in non-excess local currency countries). Therefore, the Department favors the retention of the existing language.

3. Section 3 of S. 2986 amends section 104(b) (2) of the present Act to change the wording slightly and specifically to authorize the use of foreign currencies for programs other than those carried out under the Mutual Educational and Cultural Exchange Act. The Department believes that the Act as presently worded is sufficiently broad to cover the programs we administer, but other agencies may have a need for more general language. If this is the case, the Department would not object to this change.

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

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,

Assistant Secretary for Congressional Relations.

The CHAIRMAN. As all of us know, the present bill we are asking to be extended has four titles:

Title I provides for sales of agricultural commodities for foreign currencies or for long-term dollar credit. Where sales are for foreign currencies, the currencies may be used for foreign aid and other specified purposes agreed upon between the two governments.

Title II provides for donations only.

Title III provides for barter.

Title IV contains various general provisions, such as definitions of terms and things of that kind.

We have as the first witness today, Senator Mundt.

Senator Mundt, you may proceed.

STATEMENT OF HON. KARL E. MUNDT, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MUNDT. Thank you, Mr. Chairman and my friends on the committee. I will assure you that I will not be longer than my brief statement indicates. I would like to say that we develop a lot of bipartisanship for some aspects of agriculture which this food-for-peace program illustrates as one point that had great popular favor. Some of the language of my bill preceded that one that you introduced by request from the administration is almost in the exact same language, and I assure you that the administration did not read the text of my bill beforehand.

I would like to add one other thing, because the Chairman has been very helpful in connection with managing this legislation and doing the so-called oversight function as each committee of the Congress is supposed to exercise on matters before us.

I have already discussed the aspects of the foreign currency problem as we have met together many times on the Appropriations Committee, and I think that I would look with favor, probably, on some suggestions modifying the bill in some way in order to give the United States greater control over the foreign currencies. I have perfect confidence that that is what the chairman has in mind.

The CHAIRMAN. While you are on that subject, it strikes me that we gave the administration enough authority to exercise that would cover that. The trouble is that they are too hawk-nosed.

Senator MUNDT. We maybe need a little tighter guideline. We have served many years on this committee under the whiplash of our chairman. I know that he will press hard for these corrections, because he is very diligent in supporting the oversight function of the legislative committee, which will be tightened since we passed the Reorganization Act. I understand that the House has approved a version of that and that there is a chance for correction there.

Mr. Chairman, it is just 15 years ago since my late colleague, Senator Francis Case, and I jointly introduced S. 1230, a bill which specifically provided for the sale of farm products to the Republic of Korea for domestic currency. That bill was referred to the Senate Agriculture Committee and became the vehicle for hearings which resulted in legislation which extended the principle of selling agriculture products in 1953 embodied one of a number of ideas and plans which had been discussed on this general idea. A number of the Senators who sponsored that legislation, S. 2475, which was finally approved and signed into Public Law 480, are still in the Senate. Senator Clinton Anderson, Senator James Eastland, Senator Milton Young, Senator George Aiken, and I were all members of the Senate Agriculture Committee and cosponsors of the bill. I am sure that they are as proud of our handiwork as I have been.

This program under Public Law 480 was first called the Agricultural Trade Development Act of 1954. And Senator Anderson, the distinguished member of our Agriculture Committee at that time, a former Secretary of Agriculture, contributed very significantly out of his experience in the direction of utilizing American surplus foods in the manner which, eventually, evolved in the language of the bill that became known as Public Law 480. A number of Senators sponsored that legislation, as previously stated. They participated in tailoring it into largely what is today its present form. We were plowing a new furrow in a new direction. Later on, someone with a good sense of public relations came up with the appealing title of "Food for Peace," which is more fetching and imaginative and, in fact, is very descriptive of the intent and purpose of the original act.

Our distinguished colleague Senator McGovern was for 2 years the Director of the food-for-peace program. I understand indirectly that another public relations concept is being suggested that this now be called the Food for Freedom Act. I happen to prefer food for peace, and I suspect that the rose by any other name would smell as sweet, so long as we continue to do the job, whether it is entitled "Food for Peace" or "Food for Freedom or Trade and Development." All of these concepts certainly are incorporated in the concept of Public Law 480.

We are now at the point where we must consider continuing this program and I am here to urge that this committee favorably report S. 2891 which will extend the President's authority to carry out title I and title II of this act until the end of 1971.

Title I of Public Law 480 is the meat of the legislation, as the chairman has indicated. It provides for the sale of U.S. agricultural commodities to friendly countries with payment to be made in the local currency of the nation receiving the goods. And, as usual, the chairman is far ahead in suggesting that we establish some guidelines. I intend to discuss those a bit. I know that we can trust to the competent and able and persuasive hands of the Senator from Louisiana.

Under this law, these funds are to be kept in the country to which the sale is made and these foreign currencies can be used in a number of ways. These moneys can be used to pay U.S. obligations abroad. They can be used to make grants for economic development or for loans to private enterprise or to foreign governments. They are used in the educational, scientific, and machines needed for mutual defense. And one other important item which we should keep clearly in mind is that these funds can be used to develop markets for U.S. products. I wish to emphasize at this point that I hope and trust that our Government officials who handle the disposition of these foreign currencies keep that objective clearly in mind and give added impetus to the directive in the law to expand our markets abroad.

We may as well be practical and speak bluntly. Public Law 480 not only offers us the opportunities to assist friendly countries who have food production problems, it offers a market for the American farmer who badly needs new outlets and increased prices.

Farmers in our Nation are near a point of crisis. Farm parity is at the lowest point that I have seen it since I have been in Congress. It is steadily worsening. Last year our farmers harvested bountiful crops, exceeded production goals, and ended up with less money in their pockets. Thought should be given to the plight of the producers instead of the steady concentration on the problems of the consumers. The emphasis in our Department of Agriculture should return to increasing net farm income. Unless we make constructive changes and use programs such as Public Law 480 to improve farm income, the farm population will continue to decline, production will drop sharply, and we may well end up with too few producers supplying the consuming public. Farmers are not going to continue to be farmers if their total income does not equal at least the minimum wage scale provided throughout the urban areas. Farmers are not going to be content with the fluttery promises and timid approaches toward solving the Nation's agricultural problems.

Title II of this bill authorizes gifts to needy nations stricken by famine or other disaster from the farm products held in stock by the Commodity Credit Corporation. These agricultural products can be used for economic development in burdened countries, as well as for community development and school lunch programs.

This program finds favor in our country for many reasons, but the most compelling is the fact that this is the type of activity which clutches the heart of our people and stimulates their characteristic charitable impulses. As far back as 1812, our country appropriated money and sent food to disaster areas in South America. We have continued this help where needed, on many occasions since that time.

Mr. Chairman, thank you for the privilege of appearing before my old colleagues on this committee.

The CHAIRMAN. Very well, Senator Mundt.

In the bill that I introduced, because of a trip that I made last November and December to India as well as Pakistan, I put in a provision that not less than 5 percent of the total sales proceeds received each year shall, if requested by the foreign country, be used for voluntary programs to control population growth. I had an idea of making this obligatory. What would be your position on that?

Senator MUNDT. I would feel it would be much better advised, Mr. Chairman, to follow the discretionary policy rather than our trying to impose that on a foreign country as an obligatory restriction which we do not impose on our own people. I think that we stand in much better light to say that: "If this appeals to you, if you think you can use it properly and want it, we will make the 5 percent available."

Personally, I would prefer the voluntary, discretionary language which you have incorporated in the other bill.

The CHAIRMAN. I intended, first, to make it obligatory, for the simple reason that unless those countries do enter into some kind of a program for family planning so as to limit the growth of their populations, why they are hopeless. Particularly is that true in the case of India and some parts of Pakistan.

In addition, although the Government can use, under the law, funds for financing schools abroad, I put in a special provision to emphasize that, and it reads this way:

Finance activities to assist international educational and cultural exchange and to provide for the strengthening of the resources of American schools, colleges, universities, and other public and nonprofit private educational agencies for international studies and research under the programs authorized by title VI of the National Defense Education Act, the Mutual Educational and Cultural Exchange Act of 1961, the International Education Act of 1966, the Higher Education Act of 1965, the Elementary and Secondary Education Act of 1965, the National Education on the Arts and the Humanities Act of 1965, and the Public Broadcasting Act of 1967.

As I interpret the law, all of the things I have mentioned could be done, but I thought that by putting in a special clause and emphasizing it, what ought to be done might be more salutary.

Senator MUNDT. I will agree with the chairman that it is good to highlight all of the parts, all of the abilities that are written into the act, as you know, but by spelling them out and calling attention to them by specific acts. I think that there may be other acts which could be incorporated in this. I think it will have a salutary effect on the Administrator.

The CHAIRMAN. Two years ago, when this bill came up for extension, it was felt by some of us that since the feeding of a country like India posed an international problem, that some effort should be made to extend assistance other than from the United States, because we cannot carry the load alone. And the suggestion that I made was for us to, say, put up 30, 40, or 50 percent of the requirements on condition that other nations would put up the rest of it. The committee, at the time, thought it better to put it in the report. It seems to me that so long as we had these burdensome surpluses on hand that our country would be called upon to furnish more than our share, in my opinion, and, as a matter of fact, many countries take the position that since we have it on hand, why, just go to the United States. And, as a matter of fact

we have become a residual seller of commodities. Most of the countries that are a little short of food will use their dollars and their hard currency to buy in the open market and then assume that the rest of their needs will be put up by the United States, either by way of gift or through the sale of the surplus for their local currency, for credit—on credit terms.

Senator MUNDT. As the chairman knows, in our work together on the Appropriations Committee, we have been trying there and elsewhere to try to induce other countries with surplus foods to help us in these humanitarian acts.

I came to this committee this morning from another room in this building where we are discussing that particular problem in writing the new AID bill, and I think that we might just incorporate in that also the concept of getting support from some of our friendly countries.

The CHAIRMAN. That is particularly true, in my opinion, in the supply of foods.

Senator MUNDT. Yes, sir; but I think that in many instances in the supply of fabricated materials, too, in the supply of tools and the like.

The CHAIRMAN. Some of them can go on the open market and buy some of these commodities and donate them.

I thank you very much.

Senator MUNDT. Thank you.

The CHAIRMAN. Are there any questions?

Mr. Montoya?

Senator MONTOYA. I would like to ask Senator Mundt one little question.

The CHAIRMAN. Yes, sir.

Senator MONTOYA. Senator Mundt, as I read the act and as I gather from your testimony, the original law was passed to help friendly countries. The word "friendly" is emphasized throughout the act in title I. It is emphasized in section 101 and section 103 of title I, and the stated policy has always been that Public Law 480 was intended to serve the needs of friendly countries.

Do you feel that Public Law 480 has been confined to aiding only friendly countries?

Senator MUNDT. No; I think there has been deviation. I remember a long series of debates that we had around this committee table in writing the bill, whether it should be "friendly peoples" or "friendly countries"; and there seemed to be a good deal of the same kind of thinking on the part of most of us, but the language you have quoted was finally resolved. I think there has been in the administrative action some misinterpretation of "friendly countries," as I view their activities in the international field and as I see their votes in the United Nations and what their leaders say about the difficulties we have had in Vietnam. I have some doubt about that.

Senator MONTOYA. I do not mind going into specifics, Senator Mundt, and knowing of your fight in this particular field and your feelings in the matter, I would like to point out specifically the country of India, which is the biggest recipient of Public Law 480. Since Public Law 480 was started, India has voted against us almost consistently in the United Nations, and on every real trial of true friendship—or test, I should say, India has always sided with the Communist world.

Only recently, with respect to the Israel-United Arab Republic war, India said quite a few things against the United States.

India has also said quite a few things about our involvement in Vietnam.

India has refused to cooperate with the International Commission in trying to create a climate of negotiations for the parties involved.

So, on the record, I would say that India is not a friendly country.

Going to the United Arab Republic, during the last few years Public Law 480 has been used to feed hungry people in Egypt. Because the United States was giving money for food for hungry Egyptians, Egypt was able to buy armaments and keep its internal budget intact. And during all of this time, Egypt blared forth through its radio and its press against the United States, and, certainly, there is no evidence of a friendly atmosphere existing there. Still we persist in renewing Public Law 480 contracts with Egypt.

Laying that as a premise, general as it is, is it the original intention of the law, to help countries that do these things to the United States?

Senator MUNDT. Well, I do not think so. It was written in the language as "friendly." You raise a very difficult problem when you talk about India. Here you have famine which is killing a lot of innocent people, who have no control over their own existence, nor that of their Government as to being friendly or unfriendly in its attitude toward this country.

Traditionally, this country does not supply a friendship test—whatever you call it—to people who are starving. They come to the door, to our homes, the people are hungry, and we feed them. You do that when you have it in your own area, and I think, perhaps, we might be justified in stretching the word "friendly" a little bit further in the case where we have actual famine, where women and children and babies are dying—innocent people; that is, from the general concept which seems to be put into this by various administrators whereby they do not limit it to those kinds of emergency situations as we have put it, but they send it to many. I think it is hard to write it in legislation, but I think we might give some thought, in the committee report which will accompany this legislation, to spelling out a little bit more meticulously and specifically what we have in mind concerning the main thrust, that there should be some recognition, I think, of those who are friendly and who consistently indicate that they are on the side of the free world, and those who simply measure the degree of friendship necessary by the fact that they only slap us in the face and do not stab us in the back. Neither can be very good manifestations of friendship.

Senator MONTOYA. Thank you very much.

The CHAIRMAN. I think that I would rather place this whole proposition, more or less, on humanitarian bases. We do not do anything, otherwise. We do not owe anything to India or Pakistan. That is why we believe that since assistance to such countries is more or less an international obligation, that we should put up a certain portion of it in the hope that others will do the same thing. Is it not so much to help India or other countries that help us as it is from the standpoint of the humanitarian aspect.

Senator MUNDT. I might add, in connection with the earlier colloquy, in answer to you, certainly in the terms we make regulating the funds, that we should be much more strict with the unfriendly countries than with the one that is friendly.

The CHAIRMAN. Are there any further questions?

Senator MUNDT. That is, the humanitarian aspect.

Senator YOUNG. I would like to say that I disagreed with former Secretary of Agriculture Ezra Taft Benson on many of these things that he did, but one of the most commendable things that he did was his sponsorship of Public Law 480. He was one of the strongest sponsors of this legislation, perhaps partly because of his religious background. He was for barter sales and outright gifts to more countries rather than restricting the program. He wanted to expand it. I think the testimony at the time will show that.

The CHAIRMAN. That is true, from the humanitarian standpoint.

Senator YOUNG. Secretary Benson has taken a somewhat different viewpoint now. He now is very closely alined with the John Birch Society, and he takes a different viewpoint.

Senator McGOVERN. I want to commend Senator Mundt on the emphasis that he places in his statement on the attention that we need to pay to the producers here at home. I quite agree that this program has a strong humanitarian thrust. I think we all know it has been made possible because of the productivity and the efficiency of our producers.

I think the biggest problem with the program right now is that the producer who makes the whole thing possible is not being adequately compensated. We are losing those people off the land all of the time.

I think if we are going to sustain the enthusiasm for this program here at home, to make it continuously possible, we will have to give more attention to the welfare of our people, to the producer.

I want to commend you for the emphasis that you place on this point.

Senator MUNDT. I thank my colleague. I am interested about the importance of a long-term program of this type to pay the producers of our farm products a fair and honest price, because we do not send out medicines and bandages, and the like, and the many other things that we send them, at a cost to those that make them, but in the area of agriculture products we insist that we purchase them at 74 percent of parity. The other things, rightfully so, get, certainly, the cost of the production and presumably a little profit when we send medicines and other things. Somehow, the idea has gotten across that the farmer should subsidize this program to the extent of 20 to 24 percent; that is, the cost of this program, which, obviously, is wrong. Obviously it is unfair, and obviously, it would give us a chance to get a better farm price by getting that concept changed. I am glad that I called special attention to that.

Senator BYRD. As a matter of general policy, leaving out the merits of the program, I think that this is a very meritorious program, but would it not be better to extend the program for 2 years rather than 3 years? Would it not give the Congress the ability to maintain greater control by an extension of 2 years rather than 3 years?

Senator MUNDT. I would have no particular quarrel with that. I

think, as a matter of general policy, that perhaps a 2-year extension is sufficient. I made it 3 years with this thought in mind, that after 2 years we will have a change in membership, and it takes a little time for the new ones to get acquainted with the program. And it will give them a year in which to get a better understanding as to the concept of the legislation and to be able to legislate more knowledgeably. We live and we learn, and we ought to keep making it a good deal better. It is important that we take a look at it occasionally.

The CHAIRMAN. Are there any further questions?

If not, we thank you very much.

Our next witness is Mr. Reuben Johnson.

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

Mr. JOHNSON. Mr. Chairman and members of the committee, I am Reuben L. Johnson, director of legislative services, National Farmers Union, 1012 14th Street NW., Washington, D.C.

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

1. We support the President's request of Congress to continue the food-for-freedom program for 3 more years, to December 31, 1971.

The President properly emphasized the great contribution that our food-aid program has made in the war against hunger.

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

These objectives are equally important to every citizen.

3. Our food and fiber should be used under Public Law 480 as an instrument of foreign policy.

We should place emphasis on using food in ways that make a lasting contribution to the ability of needy nations to feed their own population.

4. Foreign currency use under section 104(b)(2) of the act should be extended as provided in section 3 of Chairman Ellender's bill, S. 2986.

We concur fully in that provision.

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

6. Administer the program in ways which will contribute to the development of commercial markets for farm commodities produced in the United States.

We further support the establishment of a national food bank as called for by President Johnson in his farm message on February 27 to create a strategic national reserve of wheat, feed grains, soybeans, and other commodities.

I think that the strategic reserve would complement and make more effective our total Public Law 480 program.

With your permission, Mr. Chairman, I would like to comment further on our concern that no action be taken that will in any way weaken farm programs. It should be economic demand, not the need for food, that farmers should be asked to respond to.

Farmers have a moral concern for the hungry as humanitarianism, as you put it, Mr. Chairman. But this concern cannot substitute for fair and adequate prices and income for the portion of their production which goes to feed hungry people under the provisions and terms of Public Law 480. They simply have to be paid for this production as industry is paid for production utilized under other military and economic assistance programs of the Nation.

No one expects factory workers to shoulder the cost, or any portion of the cost of goods and services related to our nonfarm economic assistance; nor should farmers be expected to do so.

In a recent address our National President Tony T. Dechant commented on the question of "What the world food problem means to the farmer." The comments were made in October 1967 at the "Midwest farmers in a hungry world" symposium at Sioux City, Iowa.

I quote:

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

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

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

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

Their lobbyists are in Washington right now (October, 1967) pressing for a bigger feed grains program. They just finished applying the heat to the Administration to get a big increase in cotton production.

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

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

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

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

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

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

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

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

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

I have reviewed the role of agribusiness in this way for one purpose—to point up the desperate need for a way to count farmers in on their fair share of the world food program. Farmers need a fair share of the profit made from our growing export volume, expansion of government food programs at home and abroad, and the rising volume of food consumed in our own country.

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

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

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

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

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

A recent Department of Agriculture study indicates that the United States will continue to have excess agricultural capacity through and beyond 1980. We simply have to project intelligently food and fiber needs for domestic use, for commercial export markets, as well as for use under the food-for-freedom program.

These projections must be accompanied by farm program safeguards—especially as related to budget for commodity programs and for the food-for-freedom program—to secure parity prices for all farm production. Farmers should not be expected to continue to subsidize economic assistance programs of our Government as they are doing today.

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

I appreciate your remarks about prices to the farmers, but I would ask the witnesses to try to confine their remarks as closely as possible to the bills before us, as all of you know, this committee will start hearings on the farm program extension on April 3, and it will run through the 10th of April, and you will have ample opportunity to expose your views, as you did here today, more in detail.

Mr. JOHNSON. We intend to, Mr. Chairman, at that time, but I felt it was rather essential at this particular time, with the bills here before the committee, to express the views we have, that we should like for the farmers to be counted in a little bit more than on the income side of the program than they have been in the past. That is the only point I am making here.

The CHAIRMAN. To be frank with you, I thought that the act of 1965 would do just that. The reason why the prices of corn and wheat went down last year was because of an enormous crop that was made the world over.

Mr. JOHNSON. Yes, sir; that is true.

The CHAIRMAN. And the Congress cannot do anything about that. If it had not been for that, if we had grown this and harvested this under normal conditions, it is my judgment that your prices would have been the way they were the year before.

Are there any questions?

Senator YOUNG. Mr. Chairman, with reference to wheat, almost 2 years ago now the Department of Agriculture did ask for two 15-percent increases in wheat acreage allotments. This did result in a great increase in acreage and production in spite of the fact that some of the major wheat-producing areas had a smaller than average crop.

The CHAIRMAN. I presume that is the reason that was done, because of the conditions at the time.

Senator YOUNG. You will remember a year ago last fall, we had this scare program to the effect that there would not be enough wheat to meet our needs and that our people might go hungry. There were predictions that Canadians would not be able to meet their export commitments, and so on. Nothing could have been further from truth, but you could not stop this kind of propaganda. As a result, people got scared, and the Secretary increased the acreage more than he should have.

The CHAIRMAN. I think we can go into that in detail when we start the hearings, on the 3rd of April. We are now dealing with the extension of Public Law 480, which is a very simple bill.

As I said, I am glad to hear from the Senators, as well as the witnesses, on the overall farm program, but I hope that they will just shut off the steam until April 3 to 10, then you can blow off as much steam as you desire.

Mr. JOHNSON. In closing, I just want to make it clear that we are in support of the bill to extend the bill that is before the committee.

Senator McGOVERN. Could I raise just one question?

The CHAIRMAN. Yes, sir.

Senator McGOVERN. On page 2, Mr. Johnson, you make the statement:

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

I think I know what you mean by that, but that is a statement that, standing alone, states something that you really do not want to say. The need for food should be a part of the legitimate demand upon the farmer; should it not?

Mr. JOHNSON. I do not know how you actually separate the two, looking at the sentence here. Farmers go out every year and plant corn in the hope that they are going to be able to make a profit grow-

ing it. I do not believe they will plant corn very long unless they can look forward to making a profit.

Senator MCGOVERN. The point that I am trying to make is that there is a legitimate need for food in the world. There is now a malnutrition gap that has not been closed. I think we agreed there was such a gap. Should not that be included in the term "economic demand"?

In other words, need should be translated into economic demand by this program.

Mr. JOHNSON. I think that I tried to make the point that you are making in the next paragraph where I point out that farmers do have a moral concern. There is no question about that.

Most farm families are churchgoing, reverent, decent people, and their approach to life and their daily concern is with this problem. I think there are those who are playing upon these notes in an effort to further their own vested interests at the expense of the farmers, and I think that the farmers are getting concerned about some of these humanitarian materials, the editorials, that they read in city and urban newspapers, where they are not sure that the people who sponsored the editorials really feel this type of thing.

The CHAIRMAN. Are there any further questions?

Senator HOLLAND. I am beginning to get mail, and I imagine it will be much heavier before it is through, protesting very vigorously against the withholding of food materials and even the killing off and burying of young porkers. I am wondering if the agriculture community realizes the tremendous affront that is presented to the public in that kind of practice.

Does your organization support those kinds of things?

Mr. JOHNSON. No, sir. I want to make it very clear that this is not under the sponsorship of the National Farmers Union.

Senator HOLLAND. Do you realize that this kind of thing alienates many good people who, really, would want to be fair to all people and particularly to the farmers who supplied them with food. There is bound to be the same kind of hostility to that, that there was back in the years when pigs were slaughtered and plowed under, many years ago, as you will recall. I hope that your organization will use its influence among its membership to stop that sort of thing. My understanding is that the organization that is sponsoring it is not only killing off the pigs and spilling milk but also is withholding grain and other foodstuffs. Is that your understanding?

Mr. JOHNSON. That is my understanding.

Senator HOLLAND. I just want to say right here and now that I think that is the worst public relations that agriculture could possibly adopt and that it will hurt the farm cause and the farmers' cause more than any other one thing I have heard of in recent years. I am glad that your organization is not supporting this.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. YOUNG. Mr. Chairman, I am not clear on this. I thought that all of the farm organizations believed in bargaining in some form or another.

The CHAIRMAN. The specific question of the Senator was in regard to the shooting of pigs, as I understand it. It was an instance in Indiana.

Senator HOLLAND. The letters I received enclosed copies of pictures. There might be some others. These came from the Associated Press. Some might be from UPI. They showed little pigs laid out and being prepared for burial, and along with a discussion of the withholding of grains and the spilling of milk, and the reaction was terrific from the people who expressed themselves to me, who, admittedly, have been just a few up to this time, but I am sure there will be more. I do remember what happened on the other occasion when, literally, thousands of people expressed great resentment at the destruction of food. You remember that occasion, do you not?

Mr. JOHNSON. I recall something of it; yes, sir.

Senator HOLLAND. I recall it very keenly. And my own feeling is that it was a bad blow to the cause of sound public relations for farm food producers, and I would hope that the representative organizations, your own, the Farm Bureau, the Council for Cooperatives, and the others that are established organizations, will make their influence felt very strongly against the adoption of that kind of practice, particularly when, as here, as all of us know, hunger is abroad in the world, and that this is giving affront to those who are trying to work hard to help meet some of the hunger needs. People are being asked to help. I heard a request last night—maybe it was the night before—for contributions to—what is the name of the big private organization?

Senator JORDAN. CARE?

Senator HOLLAND. That is it, CARE. And all efforts of that kind, where the result is that people give their own funds to try to meet the hunger needs the rest of the world, and this is simply giving a tremendous affront to people who are doing things like that, to have this sort of thing like we have been talking about happen—which not only happened but which was discussed in the press and was shown in pictures all over the Nation. I cannot think of anything more unfortunate when agriculture is in the position where it does need the sympathy of the whole Nation and is entitled to have the sympathetic backing of the Congress in trying to meet its problems.

Senator YOUNG. If you will yield a minute?

Senator HOLLAND. I will be happy to yield.

Senator YOUNG. I think what you are talking about depends upon what the price is sometimes. I understand that many individual producers are plowing under old hens now rather than marketing them. They are worth only about 25 cents apiece, and they probably would lose money marketing them, and they do make fair fertilizer. It may be more economical to use them for fertilizer than to haul them to market to get 25 cents apiece for them.

Senator HOLLAND. But this incident of the little pigs is here, and it is a recurrence of something that happened, as the Senator remembers, years ago. The withholding of grains may not be so objectionable, because they are stored, but the pouring out of milk, as badly as people need milk to live, and with the Government supporting milk and milk products, the Senator knows that, just as sure as anything, will cause hostile feelings of many people who will not see anything but the pictures in the newspapers and hear the newspaper discussions and radio discussions. I am sorry that any organization would lend itself to that kind of an activity. I believe that the Senator from North Dakota feels the same way.

Mr. JOHNSON. Let me say that the leadership of the organization involved does not condone these activities. That explains a part of it.

Let me say, in response to your comment, Senator Young: We feel that the farmers need more bargaining power. We have in support of efforts of Senator Mondale and Senator McGovern and Senator Young, three Members, who have joined in the sponsorship of a bill to provide some procedures for the farmers to legitimately bargain without fear of being prosecuted by the Justice Department for restraint of trade.

And we will be here, Mr. Chairman, in April, to discuss that.

The CHAIRMAN. That is on the agenda.

Senator MCGOVERN. Could I make one brief comment?

The CHAIRMAN. Yes.

Senator MCGOVERN. I appreciate the point that the Senator from Florida has made. I do not think that anyone enjoys food being destroyed. I think there is another side to this thing.

Senator HOLLAND. I did not hear you.

Senator MCGOVERN. There is another aspect to this, and I think that the Senator from Florida will agree. A good many of these farmers are, really, at the point of desperation. They are losing their farms; there are auction sales going on now in my State and I am sure it is true in other States. As badly as we might feel about seeing food destroyed, it is also a matter of grave concern that many of these farmers are being destroyed. They see their farms and their whole livelihood being taken away from them. I think that is why people engage in what amounts to almost desperation tactics of this kind, because their own lives are at stake and the future of their children is at stake. So, there is another side. I do not think we ought to lose sight of the very human side of the economic situation in which these farm producers find themselves.

Senator HOLLAND. I recognize that there is much to what the Senator from South Dakota says. You certainly have put your finger on one aspect of the problem. I think you will have to agree with me that the maintenance of good, sound public relations with the general public is of utmost importance to agriculture, and they could not do anything more harmful to that feature than what is shown by these pictures and these articles.

Senator MCGOVERN. I think sometimes demonstrations of that kind do produce an unfavorable reaction, but one of their purposes is to try to get attention and underscore the seriousness of their situation. It was probably illegal when the people of Massachusetts dumped tea into the harbor, but they made their point, and there is some of that same kind of philosophy in this. These are people who have come to the end of the road, economically, and they are trying to dramatize to the whole country that there is a serious problem that must be faced up to.

Senator HOLLAND. I have made my point. I think that agriculture should put itself on record against this, as to the destruction of food, and if it does not it will lose much of the good will sentiment of the people.

Mr. JOHNSON. From our point of view, it makes more sense to produce good products, but once produced it is very difficult to try to

handle them in such a way that they do not become a burden on the market.

Senator YOUNG. The bill that we are dealing with here today does have a direct relationship to food surpluses. It does get them into useful channels.

Mr. JOHNSON. Certainly.

Senator HOLLAND. The fact is that the Senator from North Dakota and the Senator from Louisiana and I and others worked out the original Public Law 480, and the amendments also from that time to now, where we sat together in a completely nonpartisan, completely sympathetic attitude to agriculture. Of course, we had to do largely with the using of the surpluses that were on hand. There is no doubt about that; that was the problem then. That has not been the problem in the last 2 years. It may become a problem again now.

I am just calling attention to what seems to me to be an evidence fact, because we know that agriculture is in the minority and is getting more and more so every day, and when people in good conscience, particularly the thousands of people who are financing through private agencies with their own money these food projects for other nations and other people, I think something needs to be checked, and for that reason I have stated this.

The CHAIRMAN. Thank you, Mr. Johnson.

Our next witness is Mr. Robert N. Hampton, Director of Marketing and International Trade of the National Council of Farmer Cooperatives.

Please identify yourself for the record, giving your full name.

STATEMENT OF ROBERT N. HAMPTON, DIRECTOR OF MARKETING AND INTERNATIONAL TRADE, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. HAMPTON. Mr. Chairman and members of the committee, I am Robert N. Hampton, director of marketing and international trade of the National Council of Farmer Cooperatives. The National Council is a nationwide federation of farm businesses engaged in the marketing of agricultural commodities or the purchasing of farm production supplies, or both, and of 34 State cooperative councils. Our membership includes about 100 regional cooperatives which in turn represent some 5,000 local cooperatives and about 3 million farmer memberships. The organizations making up the council are owned and controlled by farmers as the marketing and purchasing departments of their farm business operations.

The National Council is in support of the extension of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, as proposed by S. 2986. This act has already made important contributions toward its major purposes of expanding international trade, including export markets for U.S. farm products, and of promoting a constructive U.S. foreign policy aimed at world progress and peace.

Our support for continued food assistance programs which would benefit U.S. agriculture and also be used to encourage world economic growth is expressed in the following current policy statements of the council:

Public Law 480—the National Council of Farmer Cooperatives recommends:

1. That Public Law 480 (Agricultural Trade Development and Assistance Act of 1954) be continued as a mechanism for aiding exports of farm commodities and that sufficient funds be provided to implement effectively the objectives of the act;

2. That expansion of Public Law 480 funds be based upon activities designed to expand long-run commercial sales and to aid sound economic growth of developing foreign countries. Many developing areas of the world today may be important future markets for the U.S. farm products.

FOREIGN ECONOMIC AID

The National Council recognizes that many areas of the world have great need for economic development and for the encouragement of a free and competitive enterprise system which we believe will accelerate such development. We also recognize the desirability of both public and private assistance in alleviating suffering and initial encouragement of productivity gains which will permit continuing economic growth through private capital investment.

We urge that in such efforts it be the policy of the United States to encourage maximum self-help within countries and that our major emphasis be in helping the people of such countries to assume increasing responsibility for their own economic progress.

To this end, we support a program of technical assistance designed to promote economic progress. We believe that the major effort of foreign aid programs should be directed toward this goal. Primary emphasis should be given to institutional as well as technological adaptation to existing conditions through development of cooperative and other appropriate private economic activities.

We urge that all U.S. agencies and farmer cooperative interests encourage development of cooperative activity abroad in every appropriate way, as a most desirable way of organizing and financing self-help programs. Maximum efforts should be made in exporting U.S. farmer cooperative know-how, and in some instances, investment capital to foster foreign cooperative development.

The direct increase in U.S. farm exports resulting from Public Law 480 programs, while important both to U.S. farm income and to international assistance efforts, has less long-term significance than other features such as self-help encouragement and market development activities. The requirement that effective self-help measures for increased agricultural output be a condition for Public Law 480 assistance is intended to encourage long-range world food output and healthy economic growth in underdeveloped nations. If this can be successfully implemented, the benefits can be substantial—for world progress and for expanded trade opportunities.

We strongly approve of the emphasis on requirements for self-help actions by recipient nations in order to be eligible for Public Law 480 assistance. This new thrust of the program in 1967-68 has already assisted greatly in focusing world attention on the higher priority needed for agricultural development in much of the world.

It is still early to judge results of self-help agreements launched only a little over a year ago. However, the requirement that at least 20 percent of Public Law 480 local currency funds be used for self-

help is a sound one. There are recent and encouraging signs in several Public Law 480 countries that more effective self-help measures are being taken—from livestock improvement programs in countries such as Morocco to use of new crop varieties, irrigation programs, and strong family planning measures in Pakistan. Population control measures are so vital to world progress that we recommend their specific inclusion as one of the conditions of eligibility for Public Law 480 assistance, in section 109(a) of Public Law 480, as amended. We also favor the proposal of section 2(a) of S. 2986 to provide for use of Public Law 480 funds for voluntary programs to control population growth.

Cooperative action is also one of the most useful means of encouraging self-help, and is being promoted in most developing countries. It serves not only as an institution which encourages vital private incentives but also assists in many other ways which are critical to strong agricultural development—capital formation, educational programs, and the business functions of credit, distribution and management. We recommend also that cooperative development be appropriately and specifically recognized in section 109(a), as the principle of cooperative importance is recognized by the Humphrey amendment of the Foreign Assistance Act.

With your permission, Mr. Chairman, I would like to insert a brief portion of a statement made by Senator Humphrey on the floor of the Senate, September 22, 1964.

May I read this into the record?

The CHAIRMAN. Proceed.

Mr. HAMPTON (reading).

Our cooperatives can be a source for developing new leadership which is a welcome element when older institutions and authorities are replaced by new structures and new loyalties. They are a strong factor in social and national cohesion. They bring people together for constructive purposes and break down isolation and factual hostilities that so often hamper development in new countries. What is extremely significant, too, is that in the emerging countries cooperative development is the means of strengthening the private enterprise economy and many of the emerging countries are aware of this. It is the simplest and most direct means for helping people to gain some positive economic advantages through their own efforts.

Though we recognize that administration of the self-help requirement provisions of this act are difficult and extremely delicate issues in international relations, we urge that continuing efforts be made to insure that desirable self-help plans are actually carried out. Active and vigorous administration, plus frequent review of performance, are needed. More reliable means of measuring the impact of self-help measures on economic progress are also needed, and we encourage study of such need, by both congressional and administrative groups.

The market development programs encouraged by Public Law 480 funds is one of the best means devised for U.S. farm exporters to capitalize on economic growth and broadening markets throughout the world. We are informed that such activities as instore retail promotions have increased sales of U.S. agricultural products by a typical ratio of about \$17 for each dollar expended, and that in trade show promotions this ratio is frequently much higher. Such increases in foreign sales volumes have not been limited to Public Law 480 export products, but have helped a much broader range of American produce.

The benefits of these activities to U.S. farmers and to our balance-of-payments position is apparent.

We urge that these programs be continued and strengthened, particularly in view of increasing competition from other agricultural exporting nations. We note from USDA statistics that such governments as Denmark, Australia, and Israel spend well over 1 percent of farm export values on promotion, compared to a figure of about one-quarter of 1 percent from the United States. (These are based on government plus quasi-government and nonprofit trade organization expenditures.)

In summary, the national council believes that the market development programs under Public Law 480 have contributed and will contribute greatly to stronger markets abroad for American farm products. We recommend that every effort be made to implement the objectives of the "economic growth through self-help" features of the act. Finally, we believe that stronger recognition should be given to the importance of cooperatives and to family planning measures as self-help criteria under Public Law 480.

We appreciate the opportunity to express our views on this important legislation before this committee.

The CHAIRMAN. Thank you for your very fine statement, Mr. Hampton. It was my privilege to visit India and Pakistan. I wish to say that much stress has been put on self-help. And if the attitude of our Government continues as at present, it will go far toward getting these people to produce more foods.

Mr. HAMPTON. We agree completely, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Senator HOLLAND. Mr. Hampton, your organization does not support, does it, the destruction of food animals and the pouring out of milk, and other destructive measures of that kind which is being practiced in certain quarters?

Mr. HAMPTON. No, sir, we do not. While we do appreciate very keenly the desperate situation that Senator McGovern pointed out, that which has given rise to this, we feel that such measures such as back in 1933, I believe it was, have given us the black eye that has been attached to farm programs since that time. We would agree that this is very bad public relations.

Senator HOLLAND. In 1933, the food hunger situation was not proclaimed so greatly as is recognized under this act, Public Law 480—it did not exist, and, if so, it had not been called to our attention, and our people were not trying to alleviate it, so that the situation could easily be worse now if there is any such general destructive policy.

Mr. HAMPTON. I think that is quite possible, sir. There seems to be an extensive antiphony on the part of the people to this kind of an action.

Senator HOLLAND. You recognize, of course, that many, many thousands of people are contributing of their own means to these various private agencies that are sending food throughout the world, religious agencies and others like CARE?

Mr. HAMPTON. That is correct.

Senator HOLLAND. And that these agencies are entirely dependent upon private contributions from private citizens. It gives an unfortunate affront to people of that kind, to see that kind of practice.

Mr. HAMPTON. Yes. I think that even under the isolated instance, it is well out of proportion and it creates a very bad situation. We

certainly require public understanding and sympathy for the plight of the farmers. We see that as a need.

Senator HOLLAND. I hope that your own organization, a highly responsible one, and the Grange, the Farm Bureau, the Farmers Union, and others that are established and recognized and and respected will go on record very speedily and clearly and highly publicized against the adoption of such a program and such a practice.

I think it has struck a bad blow at the maintenance of good will of the farmers among many people of the general public.

Mr. HAMPTON. Yes, sir.

Senator HOLLAND. You will bear a big part in this?

Mr. HAMPTON. Yes, sir.

Senator YOUNG. I want to take strong exception to one part of your statement. On page 3 you state that "population control measures are so vital to world progress that we recommend that there should be specific inclusion as one of the conditions of eligibility for Public Law 480 assistance in section 109(a) of Public Law 480, as amended." I think that some population control is highly desirable, but I think that it would be an affront to many religious organizations for the U.S. Government to take the position that any nation receiving our assistance would have to have mandatory population control programs. I think it should be encouraged and some of the funds could be used for this purpose, but it should be on a voluntary basis. I strongly oppose that part of your statement.

Mr. HAMPTON. It is not our intent that there should be a mandatory provision.

Senator YOUNG. Why did you say so, then?

Mr. HAMPTON. My understanding is that these conditions of eligibility are not mandatory requirements but items which can be considered as self-help items for the approval of the Administrator. In other words, it would be one of 10 items listed here, any one or combination of which could be acceptable as self-help criteria. So, in that sense, I do not believe it would be a mandatory requirement. We recognize that we could not take a completely frozen position and make it a mandatory requirement. It is not our intention to have it used in that fashion.

Mr. YOUNG. Thank you.

The CHAIRMAN. This committee discussed that very point 2 years ago and decided to make it a voluntary instead of an obligatory condition. I was the one that proposed that it be made obligatory, because I happen to have traveled abroad and to have seen that in cases like India or Pakistan, unless there is some kind of family planning, more people will be starving. You could not produce enough food to feed them. That is what prompted me to suggest that, but I can see the validity in making this a voluntary proposition. I am very hopeful that we can accomplish our point by making it as one of the conditions, as you state it, of a more or less voluntary basis.

Mr. HAMPTON. Yes. It is our understanding and our agreement that this must be a voluntary measure accepted by that nation, and we would not go to this nation and say: "Before we can give you assistance with Public Law 480 funds or under Public Law 480, you must have population control measures." That would simply be one of a number of items which would serve as conditions of eligibility for this assistance.

I think the evidence is overwhelming that many of these underdeveloped countries are just not going to make it unless they do take strong population control measures, but I realize, too, that this country cannot be dictatorial in its approach to that problem.

The CHAIRMAN. Thank you very much.

We will next call Mr. Fairbanks.

Please identify yourself for the record, give your full name.

STATEMENT OF LLOYD J. FAIRBANKS, ADMINISTRATIVE ASSISTANT TO THE PRESIDENT AND LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION, CORNING, IOWA

Mr. FAIRBANKS. Mr. Chairman and members of the committee, I am Lloyd J. Fairbanks, administrative assistant to President Staley and legislative representative for the National Farmers Organization, Corning, Iowa. The National Farmers Organization supports the proposed extension of the food-for-peace program (Public Law 480).

We feel that the use of America's agricultural abundance as "food for peace" is in the best interest of all the citizens of our Nation, the underdeveloped countries, and all other countries in the world. This program has helped strengthen our farm markets and farm income; it has supported economic development; it helped to build new and larger commercial export markets for our farm products; and, it has helped to alleviate and prevent much of the undernourishment, hunger, and starvation in the world.

One-third to one-half of the people around the globe are going to bed hungry every night and many millions more would be if it were not for this program. People with somewhat adequate diets have the desire and energy to do something for themselves. People in countries where there is a minimum of hunger and where they have been able to realize personal possessions are much more peace loving countries than those that do not.

Much has been accomplished along the lines of economic development by countries which have received our shipments of food. We would point to six outstanding examples of countries that once received our shipments of food under Public Law 480 and now are entirely or mainly large cash buyers of our farm products. They are Japan, Italy, Spain, Israel, Taiwan, and South Korea. Through Public Law 480, we gave these countries a helping hand when they needed it. Today they are among our very best commercial customers for a wide range of agricultural commodities.

The outstanding results that I have described come mainly from the earlier features of Public Law 480. Today we have an improved updated version which we are convinced will do even more to help expand international trade, improve our own export business, and support the kind of foreign economic development that will provide additional customers in the future.

Mr. Robert G. Lewis, who testified before the House Committee on Agriculture on Public Law 480 and will testify before this committee tomorrow, has proposed an additional new type of transaction be authorized under title I of Public Law 480. The National Farmers Organization is one of the sponsors of this study. Although Mr. Lewis has not yet completed his study and we have not had the opportunity

to review his conclusions, I can say that we favor the objectives that Mr. Lewis outlined in his testimony. The food that we send to underdeveloped countries under this plan will help them build the roads, bridges, waterworks, schoolhouses, and other improvements they need to become self-sufficient by using the funds in foreign currency our Government holds in the recipient countries.

We urge this committee, which has vast knowledge of the food-for-peace program (Public Law 480) and all other agricultural programs, to study this proposal. If this committee and Congress as a whole conclude that Mr. Lewis' proposal will have that result, then we hope they will see fit to amend the law accordingly.

The National Farmers Organization wishes to stress also, as Mr. Lewis did in his testimony before the House Committee on Agriculture, that food for peace should not be viewed as a substitute for other farm programs. This is merely an extra tool—a tool that shows promise for contributing to the overall task of feeding the hungry and stabilizing and improving the American agricultural economy.

We are confident that farmers will organize and successfully bargain for a price and stability in agriculture. Even with this success through collective bargaining, it is still the responsibility of the entire Nation—not just farmers—to help alleviate hunger throughout the world.

We are dedicated now and in the future to support any legislation that will improve farm income and will be beneficial to the people of our Nation.

We appreciate the opportunity to appear before you and hope that our testimony has been helpful.

The CHAIRMAN. Mr. Fairbanks, since quite a few countries that are in need of food assistance have expressed the belief that this is an international problem, something that all nations able to do so should join in to provide their just share, would you advocate such a proposal?

Mr. FAIRBANKS. Yes, I would, sir.

The CHAIRMAN. In other words, it has been my belief that we ought to provide a just share, which might be up to 50 percent, but the countries of the world that are in need depend more or less on us and I do not see how we could keep that up.

Mr. FAIRBANKS. This is a world problem.

The CHAIRMAN. That is right.

Mr. FAIRBANKS. It is not just a U.S. problem.

The CHAIRMAN. We will probably want to mention a good deal of that in our report—I hope. I would like to provide some kind of a formula. We could have it in the law, perhaps, but not obligatory—it may be that we will tighten this up a little bit so as to try to get other nations to assist us, but of course our problem of feeding hungry people throughout the world is one that would require the expenditure of millions of dollars. I do not think that the whole burden should be placed upon us or that we should assume it; we might run short sometime.

Section 205 of the act of last year stated:

It is the sense of the Congress that the President should encourage other advanced nations to make increased contributions for the purpose of combatting world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs. It is further the sense of the Congress that as a means of achieving this objective, the United States should work for the expansion of United Nations world food programs beyond its presently established goals.

Two years ago, I attempted to make it so that we would agree to furnish a certain percentage of the needs, from 35 to 50 percent, provided other nations did the same thing, so as to make this a problem to be treated by all nations because of its international aspects.

Mr. FAIRBANKS. The would depend upon their ability, of course.

The CHAIRMAN. Of course. You have a lot of countries now that are as able as we to participate. If they do not have the food, at least they could furnish something in order to help the countries develop their own needs. Much of it could be fertilizers and machines and things like that. There is a lot of need for those. I think and believe that would go far toward alleviating problems in many areas of the world where there are tremendous food shortages.

Mr. FAIRBANKS. If those countries do not have the humanitarian feeling that we do, I do not think we should suppress our help because of that.

The CHAIRMAN. I understand that. You know, as I pointed out a while ago, we have had, in the past, huge surpluses dangling over the markets, and it is natural for a nation called upon to participate to say: "Why, we do not have it—go to the United States; they have it." And that is why I am opposed to creating huge surpluses in the country.

Are there any questions?

Senator HOLLAND. I have some.

I defer to Senator Young.

Senator YOUNG. Go ahead.

Senator HOLLAND. Mr. Fairbanks, you heard me question a couple of the witnesses awhile ago about the killing of pigs and the dumping of milk.

Am I correct in my understanding that your organization is the one that put on the program for the dumping milk a year or so ago?

Mr. FAIRBANKS. That came about by an individual opinion out in the area.

Senator HOLLAND. Did your organization sponsor that?

Mr. FAIRBANKS. We did not push it, but it came about spontaneously throughout the area.

Senator HOLLAND. Well, now, my recollection is that the press quoted the president of the organization as encouraging the dumping of the milk. Am I wrong in that?

Mr. FAIRBANKS. Well, I am not aware that our President said that.

Senator HOLLAND. Did your President encourage it?

Mr. FAIRBANKS. He encouraged the farmers to make known the plight they have in agriculture—that is right.

Senator HOLLAND. That was not my question. My question was: Did he encourage it?

Mr. FAIRBANKS. I am not aware of it.

Senator HOLLAND. The dumping of the milk.

Mr. FAIRBANKS. I am not aware that he did.

Senator HOLLAND. He was given credit for it, and so was your organization.

How large is your organization?

Mr. FAIRBANKS. We do not disclose our membership, for bargaining reasons, but we are now organizing in 40 States in the United States, from the Canadian line to the Gulf of Mexico, from the east

coast to the west coast, within all of the major counties in the Middle West.

Senator HOLLAND. You are not free to give us the approximate number of your membership?

Mr. FAIRBANKS. That is right. This was voted on by the delegates at the convention, that we will not disclose our membership, as I said, for bargaining reasons, because if we disclose our strength, the groups that we are dealing with would know where our strength is and where we are weak and strong and then they would exert pressure on us in the weak areas.

Senator YOUNG. Would you yield that at that point?

Senator HOLLAND. Yes.

Senator YOUNG. I know they have at least 12,000 members. That is the number of delegates they had at their annual convention in Louisville.

Senator HOLLAND. I am sure that they profited by the speech from the Senator from North Dakota.

I am sure that he did not advise them to dump their own milk or that of others who did not want to have their milk dumped, as was reported many times by the press as having occurred.

Now, with reference to the killing of the pigs. Did your organization sponsor that?

Mr. FAIRBANKS. No, we are not. We were aware that it was taking place, but this started with a small group in east Indiana, but we do feel that farmers need to emphasize their plight, and, as the Senator from South Dakota brought out, we realize that this is somewhat the same as the Boston Tea Party in the early days, and it was greatly criticized then, but today we view it as an action that did a lot of good. We certainly do not like it.

Senator HOLLAND. It stood us off from Great Britain. Do you want to be stood off from the rest of the country? [Laughter.]

Mr. FAIRBANKS. No. I am sure that this is not true, but we are certainly in the position where we would like to see the farmers get a fair price so that they can produce the products that are needed for this great Nation of ours and other nations that need them so much for humanitarian reasons.

Senator HOLLAND. You saw the two different pictures of the slaughter of the pigs which was in the Washington newspapers?

Mr. FAIRBANKS. I have not. I just arrived in Washington last night.

Senator HOLLAND. Did you see any pictures in the press that you read several days ago?

Mr. FAIRBANKS. This happened only day before yesterday, if I am not mistaken.

Senator HOLLAND. I say, did you see the pictures?

Mr. FAIRBANKS. No sir, I have not. I would like to.

Senator HOLLAND. In the articles that were printed in the Washington papers—and I read them very carefully, the Washington Post and the Evening Star—they had articles and pictures, and they were slightly different pictures. This act was attributed to the local union, the local units of the National Farmers Organization, and, likewise, the spilling of the milk which was produced by dairymen who dumped it as well as milk produced by some of their neighbors, was also attrib-

uted to the National Farmers Organization. Do you not think that that is poor public relations?

Mr. FAIRBANKS. Well, I would say again, that it brings emphasis to our plight. Today, we find accounts receivable of many small businesses in the farming area that are double that of their assets, and we find many elevators today have accounts receivable of \$100,000 to \$200,000. We find fertilizer companies that normally have about 20 percent of accounts receivable at this time of year now have 70 percent accounts receivable. We find farmers who are being pushed off their farms, actually closed out. This is bringing back days somewhat like the thirties, when they were being sold out. And with this happening, farmers are in desperation to do something. If it takes this type of an action to bring emphasis on the fact so that something can be done, so that farmers can get together collectively in collective bargaining and get a price and stability, then I think this does bring out the emphasis that is needed, so that we do think about it.

Senator HOLLAND. You approve it, then, do you?

Mr. FAIRBANKS. To a degree, yes. It brings out the emphasis of the farmers' plight.

Most certainly, we have always offered our production for a price; we have to be in accordance with the laws of our land. It was spelled out in the Capper-Volstead Act under which we are organized, and as soon as they will give us a decent fair price for our commodity, we will offer those commodities for sale. We must, and we will, abide by the laws of our Nation.

Senator HOLLAND. At the time, under the auspices of your organization, dairymen were dumping their own milk and at the same time dumping the milk of others, the Federal Government was supporting the price of milk production, was it not?

Mr. FAIRBANKS. This is true.

Senator HOLLAND. What did you feel as your justification for dumping your own product or that of your neighbors when the Federal Government had already manifested its interest by providing price supports?

Mr. FAIRBANKS. In the first place, the price that was received by the farmer then or is received by the farmers today even with the Government price support is not sufficient to keep the dairyman on the land. In fact, 85 to 90 farmers a week are leaving the farms in Wisconsin and comparable numbers in Michigan and in Minnesota.

Getting back, Senator, to what you said about the National Farmers Organization members. I believe you left this impression that the National Farmers Organization members dumped other neighbors' milk.

Senator HOLLAND. It was so reported many times in the press.

Mr. FAIRBANKS. This was reported, but there has been no conclusive evidence of this. I want to make this clear.

Senator HOLLAND. Well, I just repeat what I have already said two or three times: I think it is most deplorable, and a recognition of the fact that the farm element of our Nation, much as this committee is trying to serve it, is frittering away the best sympathy of the public by doing this kind of thing. I would hope that your organization would turn around and go in the other direction.

Mr. FAIRBANKS. We, certainly, do not desire this, Senator. We do not desire to do anything but get fair and equitable prices, and stability, so that we can produce the food that is needed for this Nation and to clothe it as well as we have in the past. We also want to help support those nations that are hungry today.

Senator HOLLAND. I am simply telling you that when the world is hungry, and that was not even true in 1933, so far as we then found out. We were not trying to divert our production to other nations. The policy followed then of plowing under crops and killing pigs, and so forth, set agriculture back terribly. You heard what Mr. Hampton said here a moment ago, that it took years getting over it. I am just warning that these policies that you are following now will do much greater harm in my judgment. As a friend of agriculture, and one who has lived in an agriculture community all of his life and has practiced in his chosen profession for agriculture rather than for other things all of his life, I am just telling that I think it is a highly deplorable policy to be following. I hope you will carry that word to your organization.

Mr. FAIRBANKS. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Senator YOUNG. I might just say this: The National Farmers Organization has increased its membership tremendously. I think the major reason for this is that they are fighting for better farm prices, and trying to bring to the attention of the country the plight of the farmers. They are accomplishing that. This is the reason for their big gain in membership. I wish that you would disclose your membership records. I know it is increasing all over the United States. Some of my best farmer friends, liberals and conservatives, are members of it.

The CHAIRMAN. Thank you.

Mr. FAIRBANKS. Thank you.

The CHAIRMAN. All right. Our next witness is Mr. Campbell, accompanied by Mr. Young.

Identify yourself for the record, give your full name.

STATEMENT OF CARL C. CAMPBELL, DIRECTOR OF FOREIGN OPERATIONS, AND J. BANKS YOUNG, WASHINGTON REPRESENTATIVE, NATIONAL COTTON COUNCIL OF AMERICA

Mr. CAMPBELL. Mr. Chairman, my name is Carl C. Campbell. I am the director of foreign operations of the National Cotton Council of America. The membership of the council includes cotton farmers, ginnermen, warehousemen, seed crushers, merchants, manufacturers, and cooperatives. I am accompanied by J. Banks Young, the Washington representative of the council.

The council has supported the legislation covering the sale of surplus agricultural commodities for local currencies since the inception of the Agricultural Trade Development and Assistance Act of 1954, which is commonly known as Public Law 480, and supported the amendment to the legislation which provides for long-term dollar credit for surplus agricultural commodities.

The Public Law 480 program has moved significant quantities of cotton to countries which did not have sufficient U.S. dollars to purchase their requirements of U.S. cotton. The program definitely has

resulted in expanding U.S. exports of cotton. From July 1, 1954, to June 30, 1967, 9.8 million bales of cotton have been exported for foreign currencies and 984,000 bales for long-term dollar credit. During fiscal year 1967, 578,000 bales were exported for foreign currencies, and 405,000 bales were exported for long-term dollar credit. These exports represented 21 percent of our exports during that year. It is anticipated that the exports under Public Law 480 during the current fiscal year will total approximately the same as during last year, but will represent a greater percentage of our exports since total exports this fiscal year probably will be below our total exports during last year. From these figures, you can understand and appreciate the importance of the Public Law 480 program to our cotton export program.

The present legislation requires that 5 percent of the proceeds of sales for local currencies and loan repayments be set aside for market development work and that 40 percent of this set-aside be eligible for conversion into currencies necessary for market development activities in potential dollar markets. This provision of law has effectively enabled the U.S. Department of Agriculture and cooperating U.S. industry organizations to undertake agricultural market development programs in countries which are, or have the potential of becoming, dollar markets. It is considered that this aspect of the legislation affords American agriculture the only long-term benefits that will accrue to it under the Public Law 480 program. We strongly recommend that the present set-aside and conversion provisions for market development activities be retained in the continuing legislation.

In regard to cotton, Public Law 480 agricultural market development funds have been used by the U.S. cotton industry for promotional programs for cotton in general in Western Europe and Japan. These efforts were carried out in cooperation with the U.S. Department of Agriculture. However, when the newly established International Institute for Cotton, which is an intergovernmental organization, assumed the responsibility for the cotton market development efforts in Western Europe and Japan as of January 1, 1967, the U.S. cotton industry discontinued its efforts to promote cotton generally in Western Europe and Japan. But, the U.S. cotton industry, in collaboration with the U.S. Department of Agriculture, is continuing to work on behalf of U.S. cotton specifically in Western Europe and Japan, as well as in other countries which are significant importers of cotton. Proceeds from the sales of agricultural commodities under Public Law 480 are used to pay the U.S. assessment to the International Institute for Cotton, and to pay a portion of the costs of the activities carried out abroad by the U.S. cotton industry.

In foreign markets, manmade fibers are the principal competition for U.S. cotton. In fact, from the 1957-58 cotton season to the 1966-67 season, total annual fiber consumption in the foreign free world increased from the equivalent of 29.3 million bales of cotton to 45.8 million bales, an increase of 57 percent. However, most of this increase was taken up by manmade fibers. As a matter of fact, the consumption of cotton increased only 25 percent during this period. If cotton had maintained the percentage of the market in 1966-67 that it held in 1957-58, then consumption of cotton in the foreign free world would have totaled 6.5 million bales more in 1966-67 and U.S.

cotton would have had a significantly greater marketing opportunity. From these illustrations, you can readily understand and appreciate the importance of promoting cotton generally in its competitive battle with manmade fibers. This work will be done in the future largely by the International Institute for Cotton, but, in the future, the U.S. cotton industry will undertake certain activities for cotton generally in certain cases where it appears that such efforts would benefit U.S. cotton exports.

In order for U.S. cotton to gain a fair share of the international market for cotton, it is necessary that some activities be carried out specifically for U.S. cotton in foreign markets. In the future, the Council will concentrate its efforts on activities specifically promoting American cotton in foreign countries in order to increase our marketing opportunities and to expand our exports of cotton. It is hoped that it will be possible for the U.S. cotton industry to continue to use Public Law 480 currencies to promote U.S. cotton specifically in significant foreign markets, since our exports of cotton for dollars will assist materially in correcting our balance-of-payments problem. As an illustration, in fiscal year 1957-58, the value of commercial dollar exports of U.S. cotton totaled \$557 million, whereas in 1966-67, they totaled only \$310 million. In 1967-68, it is anticipated that the value of commercial dollar exports of cotton will total around \$310 million.

Since the Public Law 480 sales for local currencies and the sales for long-term dollar credit significantly expand our exports of U.S. cotton, and since some of the proceeds of the Public Law 480 sales for local currencies help finance cotton's competitive battle with manmade fibers and help finance the promotion of U.S. cotton exports specifically, the Council recommends the extension of this vital program and supports enactment of S. 2986.

Mr. Chairman, I appreciate having the opportunity to present the Council's position on Public Law 480 before your committee, and I will be happy to answer any questions that you or the members of the committee might have about cotton under the Public Law 480 program.

Thank you.

The CHAIRMAN. As far as I am concerned, I will reserve questions for next month when we get into the cotton program. I want you to get ready for it, because this cotton program has not worked as it should. It has been a great disappointment. As I said on the floor of the Senate, you have not decreased the sale price. I assume that the Cotton Council will appear before us next month?

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. I will not go into details about this now. I realize that the donation or sales for local currencies of cotton has been of great assistance to the farmers, to the producers.

You indicated awhile ago the number of bales. What was it?

Mr. CAMPBELL. 9.8 million were exported through the last fiscal year.

The CHAIRMAN. I have a larger figure than that.

Mr. CAMPBELL. Mr. Chairman, the 9.8-million-bale figure that I cited represents the total bales of cotton that actually were exported

under Public Law 480 for foreign currencies from July 1, 1954, to June 30, 1967.

The CHAIRMAN. The 12,309,000-bale figure that was provided to me by the Department of Agriculture represents the total bales of cotton that were programed under Public Law 480 for both foreign currencies and long-term credit from July 1, 1954, to December 31, 1967. This accounts for the difference in the figures.

Did you want to say something, Mr. Young? This is J. Banks Young.

Mr. YOUNG. I do not think so.

The CHAIRMAN. Any questions?

Senator YOUNG. Have the dollar export sales of cotton increased in the last 2 years?

Mr. CAMPBELL. Not in the past 2 years. Unfortunately, in this current season, because of the shortage of certain qualities of cotton in the United States, our dollar exports have been maybe lower. Our price have gone up for certain qualities that are in short supply. Exports have fallen off in those qualities, because our prices are not competitive. This year, in the case of short-staple cotton, we probably will export more of it relatively than in other seasons, because our price for this type of cotton has been competitive.

Senator YOUNG. One other question: Is there an export subsidy for dollar export sales of cotton similar to that for wheat?

Mr. CAMPBELL. No, sir; there is no direct subsidy program as such, but there are payments to the farmers—

The CHAIRMAN. Those are subsidies.

Mr. CAMPBELL. Yes, sir; but they are not export subsidies as such.

The CHAIRMAN. The mill people felt rather insulted because I made the statement that they were subsidized. Before it was a one-price system, the mills paid just about the support price. Because of the change to the one-price system, it cost the Government in excess of one-half billion dollars. We will get all of that out later.

Mr. YOUNG. May I make one comment to Senator Young's question?

Up until about 4 years ago, we had what we talked about as a relatively high loan—it ran in the neighborhood of 30 cents a pound. Today, we have a low loan, plus payments. The loan is around 20 cents a pound. It is supplemented by the payments to support farm income. So, when we had a 30-cent market price, we did pay an actual export subsidy to get our price competitive abroad, but with the low loan of 20 cents today, the price in this country as well as the price for exports is the same, so that there is no specific export subsidy under the current program. It is true that the farmers do get an income payment. You might relate a part of these payments to the exports and say that part of it was an export subsidy. However, the payments are not related to specific sales abroad.

Senator YOUNG. Thank you.

The CHAIRMAN. All right. Thank you, very much.

Our next witness is Mr. William E. Moran, Jr. Give your name, if you will, and identify yourself for the record.

**STATEMENT OF WILLIAM E. MORAN, JR., VICE PRESIDENT,
INTERNATIONAL ECONOMIC POLICY ASSOCIATION**

Mr. MORAN. Mr. Chairman and members of the committee, my name is William E. Moran, Jr., vice president, the International Economic Policy Association.

The International Economic Policy Association represents a group of American international business corporations vitally concerned with the success of our foreign economic policies, in the interest of free world security and prosperity, and in the advancement of the concepts of private ownership of property and private enterprise as the best means toward economic and social development and the raising of the standards of living of all peoples.

The International Economic Policy Association is in full accord with the basic objectives of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and the proposal that it should be extended for a 3-year period. We understand these objectives to be the relieving of hunger and malnutrition, the fostering of economic development through food aid, assisting U.S. farmers to market their commodities through both commercial and food aid channels, and a furthering of specific U.S. foreign policy objectives. Public Law 480 has proved itself a vital and flexible instrument in working toward these objectives. At this time, when the United States is suffering from such serious balance-of-payments deficits, this is a most appropriate instrument since it involves a transfer of real resources rather than money. So long as it is managed so as not to interfere with normal marketings, it makes possible the provision of substantial assistance to less-developed countries without an adverse effect on the U.S. balance of payments. For all of these reasons, the association has given, and will continue to give, its full support to this program.

History will surely judge this undertaking not merely as an act of self-interest on the part of the United States, but also as an act of true generosity for the benefit of mankind. The world's judgment today can hardly be different. The food-for-peace program is one of the most effective methods we know for projecting a positive American image in foreign lands.

In his message on agriculture, President Johnson emphasized the urgency of combating hunger and called for the United States to continue to lead the world in the war against hunger. He reiterated the need to shift from foreign currency to dollar sales to improve our balance of payments. We heartily support these objectives. He also noted the need for the cooperation of other nations in meeting this problem. While here we also agree, we cannot help but note the limited extent to which other developed countries have been prepared to share this burden. Despite our willingness to meet nearly half of the costs of a world food program under the United Nations, other countries have not come forward with pledges sufficient to meet the relatively small targets set for that program since its inception in 1962. Unfortunately, most food-surplus countries are intent upon earning all they can and would rather sell for cash to Communist China than provide food to India on concessional terms. Therefore, while the objective of world cooperation is highly desirable, its early attainment is doubtful.

In no other area of human endeavor has there been a better demonstration of America's technical competence, matched in equal measure with generosity, to assist needy countries than in food production and distribution. In no other field has there been a better demonstration of progress under conditions of private ownership and incentives than in agricultural production in the United States. This knowledge we must make available to the rest of the world.

We fully agree with the President in his conclusion that ultimately the world's need for food must be met by self-help measures. There will not long be enough surplus capacity in traditional food exporting countries to meet the needs of a growing world population. We also agree that the channels of private trade should be used to the maximum practicable extent in procuring and handling agricultural commodities for use in this program, as provided in sections 103(a) and 107 of the Food-for-Peace Act of 1966.

The United States has sustained serious balance-of-payments difficulties for many years as a result of the very heavy expenditures in meeting its foreign commitments. Every effort must be made to expand our earnings of hard currencies to reduce these deficits. The program here proposed is not one for the disposal of surplus food. The agricultural commodities supplied under this program will be bought and paid for by the United States to the tune of about \$1.5 billion this year. It is, therefore, important that, to the maximum extent possible, the recipient countries pay in dollars or convertible local currencies within a reasonable period of time.

Section 103(b) of the Food for Freedom Act of 1966 called upon the President to "take steps to assure a progressive transition from sales for local currencies to sales for dollars * * * at a rate whereby the transition can be completed by December 31, 1971." Provision was made that dollar sales should be made on terms not to exceed 20 years with a grace period of not more than 2 years. This same section made provision for sales for convertible local currencies on the same terms as those provided for in section 201 of the Foreign Assistance Act. (The terms of such loans have ordinarily been 40 years with a 10-year grace period.) Provision was also made in section 103(k) of the Food for Peace Act of 1966, requiring where practicable, that 5 percent of the purchase price of any agricultural commodities sold under title I be paid on delivery in dollars or foreign currencies convertible into dollars.

Efforts to meet this requirement have not to date had such success as to indicate any probability that all or most sales will be shifted to dollars by December 31, 1971.

The CHAIRMAN. We have the law that gives them the authority to do so.

Mr. MORAN. We think so.

The CHAIRMAN. As I stated some time ago, we have been a residual supplier of food for people abroad. Many countries spend hard currencies for that which they must buy, and then expect us to give additional food to them or to sell it for their soft currencies. We have now an abundance of foreign currencies which we do not know what to do with.

Mr. MORAN. We have set forth tables here which show the sales for the calendar year 1967. Tables I, II, and III show sales made for local

currency, convertible local currency credit agreements, dollar credit agreements, and initial payments on delivery during calendar year 1967. Dollar agreements came to a total of \$139 million and convertible local currency agreements came to \$152 million for a total of \$299 million compared to dollar credit agreements in 1966 of \$311 million, while local currency sales came to \$912 million compared to local currency sales of \$1 billion in 1966. Payments on delivery in dollars or convertible currencies in only one case exceeded the 5-percent figure and no such payments were made in connection with convertible local currency sales. This does not suggest that it has yet been possible so to administer the program as to increase its contribution to the solution of the balance-of-payments problem.

Payments on delivery were minimal. Not only were the total of dollar and convertible currency credit agreements less in 1967 than sales for dollars in 1966, but the convertible local credit agreements, with but one exception, were for 40-year terms and 10-year grace periods. This means that they cannot be expected to make any contribution to the improvement in our balance-of-payments situation at any early date, if at all.

Credits for foreign aid on the softest development loan terms are hardly credits at all. Under such circumstances, sales of commodities take on more the character of grants. After 10, 20, 30 years the disposition, willingness, or ability of most of the countries to repay massive amounts of convertible local currencies for food consumed long ago would be problematical. It is, therefore, hardly realistic to think of convertible local currency sales on such terms as a real way station to commercial sales.

The United States is confronted with an immediate balance-of-payments problem which requires that we secure as much in dollars or hard currency income as we can from every source. This need cannot be satisfied through conversion from local currency sales to convertible local currency sales on a 40-year basis with a 10-year grace period.

Long-term loans of this nature, under which no payment need be made during the first 10 years, provide the recipient with needed commodities without the need for payment in hard currencies. The hard-currency earnings they would have had to use are thus available to them to meet other needs. All too often an important part of such needs is to repay other aid donors who have insisted on hard-credit terms. India is a good example. From 1946 until the end of 1966 we had provided aid to India in the amount of \$6,769 million. One billion five hundred and three million dollars was in the form of grants. Five billion two hundred and sixty-five million dollars was in the form of so-called loans. Over the entire period the total repayment on these loans, interest and principal payments, amounted to \$528 million. While we were thus providing resources to India, other members of the aid-India consortium were acting quite differently. The largest donors were Germany, France, Italy, and Japan. Germany, even with recent softening of loan terms, had an average rate of interest of approximately 4.3 percent and almost half of her loans were for terms of 1 to 16 years. French assistance has been in the form of 10-year loans at interest rates of $5\frac{1}{4}$ to 6 percent. Italy also provided funds on 10-year terms with interest rates of 6 percent, but did allow a 2-year grace period. Japan has lent funds on 15- to 18-year terms

at $6\frac{1}{4}$ to $6\frac{3}{4}$ percent interest. The United States is the only major contributor to India which generally provides funds on 40-year terms, including a 10-year grace period, at $2\frac{1}{2}$ percent interest except for the International Development Association, 40 percent of whose funds are provided by the United States.

The Association recommends, therefore, that:

1. The importance of conversion to dollar sales be reiterated and emphasized.

2. The provision in section 103(k) of the Food for Peace Act of 1966, requiring that 5 percent of the purchase price of any agricultural commodity sold under title I be payable on delivery in dollars or currencies which can be converted into dollars, be retained.

The CHAIRMAN. When the Secretary of Agriculture comes up on Friday, I expect to go into that in detail, what is provided in these agreements made under the present law.

Mr. MORAN. We have those set forth in the tables and the statement, sir, as to exactly what was done for the calendar year 1967.

(Tables I, II, and III follow:)

FOOD FOR PEACE

TABLE I.—CALENDAR YEAR 1967 LOCAL CURRENCY AGREEMENTS FOR SALES OF U.S. AGRICULTURAL COMMODITIES

Country	Date	Market value (millions) ¹	Total CCC cost (millions)	Initial payment (percent)	Uses of foreign currency (in percent)			
					U.S. use	104(e) Cooley loans	104(f) economic development	Other
India.....	Feb. 20, 1967	\$135,000	\$140.20	0	8	5	² 87	-----
Ghana.....	Mar. 3, 1967	5,480	6.80	0	20	15	² 65	-----
Vietnam.....	Mar. 13, 1967	47,400	50.10	0	100	-----	-----	-----
Tunisia.....	Mar. 17, 1967	10,388	10,833	1.2	20	10	² 70	-----
Korea.....	Mar. 25, 1967	47,380	68.20	0	20	6	² 74	-----
Ghana ⁴	Apr. 6, 1967	1,540	1.68	0	20	15	² 65	-----
Morocco.....	Apr. 20, 1967	5,630	6.103	3.0	20	10	² 70	-----
Pakistan.....	May 11, 1967	32,800	34.20	0	8	5	² 65	⁶ 10
							³ 12	-----
Sudan.....	June 3, 1967	11,450	11.45	5.0	20	5	² 75	-----
India.....	June 24, 1967	87,800	90.10	0	8	5	² 87	-----
Vietnam ⁴	July 26, 1967	2,200	-----	0	100	-----	-----	-----
Pakistan.....	Aug. 3, 1967	85,500	87.60	0	8	5	² 57	-----
							³ 30	-----
Israel.....	Aug. 4, 1967	13,800	13.80	0	25	5	² 70	-----
India ⁴	Sept. 12, 1967	67,500	67.50	0	8	5	² 87	-----
Vietnam ⁴	Sept. 21, 1967	90,000	90.00	0	20	-----	-----	⁶ 80
Do. ⁴	Oct. 24, 1967	4,600	4.60	0	20	-----	-----	⁶ 80
Ghana ⁴	Oct. 27, 1967	2,460	2.46	0	20	15	² 65	-----
Morocco.....	do.....	12,470	12.63	3.0	20	10	² 70	-----
Tunisia.....	Nov. 6, 1967	10,380	10.46	2.5	8	10	² 80	⁷ 50
China.....	Dec. 12, 1967	37,500	37.50	1.0	50	-----	-----	-----
Ghana ⁴	Dec. 18, 1967	0.740	0.74	0	20	15	² 65	-----
Pakistan.....	Dec. 26, 1967	31,400	32.10	0	8	9	² 53	-----
							³ 25	-----
India ⁴	Dec. 30, 1967	168,600	172.80	0	8	5	² 87	-----
Total.....		912,018	951,856	-----	-----	-----	-----	-----

¹ Including ocean transportation.

² Loans.

³ Grants.

⁴ Amendments or supplements to previous agreements.

⁵ 104(h) grants.

⁶ 104(c) grants.

⁷ 104(g) grants.

Source: Individual agreements in "Treaties and Other International Acts Series."

TABLE II.—FOOD FOR PEACE CALENDAR YEAR 1967 CONVERTIBLE LOCAL CURRENCY CREDIT AGREEMENTS FOR SALES OF U.S. AGRICULTURAL COMMODITIES

Country	Date (1967)	Market value ¹ (millions)	Total CCC cost (millions)	Terms of payment				
				Initial payment	Grace period		Final payment	
					Years	Percent	Years	Percent
India	Jun 24	\$24,200	\$27.30	0	10	1	31	21½
Afghanistan	Jul 19	4,340	4.87	0	10	1	31	21½
Pakistan	Aug. 3	23,400	26.60	0	10	1	31	21½
India ²	Sep. 12	19,000	21.00	0	10	1	31	21½
Indonesia	Sep. 15	19,500	19.50	0	10	1	31	21½
Guinea	Oct. 18	3,420	3.51	0	6	1	25	21½
Indonesia ²	Nov. 1	1,300	1.33	0	10	1	31	21½
Do ²	Nov. 9	.260	.26	0				
Do ²	Nov. 22	1,550	1.75	0	10	2	31	21½
Pakistan	Dec. 26	8,700	8.90	0	10	1	31	21½
India ²	Dec. 30	46,900	53.90	0	10	2	31	21½
Total		152,570	168.92					

¹ Including ocean transportation.² Supplements or amendments to previous agreements.

Source: Individual agreements in "Treaties and Other International Acts Series."

TABLE III.—CALENDAR YEAR 1967 DOLLAR CREDIT AGREEMENTS FOR SALES OF U.S. AGRICULTURAL COMMODITIES

Country	Date	Market value ¹ (millions)	Total CCC cost (millions)	Terms of payment				
				Initial payment	Grace period		Final payment	
					Years	Percent	Years	Percent
Congo	Mar. 15	\$6,050	\$9.33	0	2	1	19	21½
Tunisia	Mar. 17	3,393	3.393	1.2	2	1	19	21½
Congo ²	Apr. 6	2,520	2.73	0	2	1	19	21½
Morocco	Apr. 20	5,908	6.596	3.0	2	1	19	21½
Iceland	June 5	1,252	1.45	5.0			18	41½
Congo ²	June 26	.850	.85	0	2	1	20	21½
Israel	Aug. 4	13,800	13.8	0	2		19	21½
Brazil	Oct. 5	35,950	35.95	5.0	1	2½	20	21½
Liberia	Oct. 23	.850	.85	5.0	2	1	19	21½
Ceylon	Oct. 25	9,970	10.86	0	2	1	19	21½
Morocco	Oct. 27	13,190	13.74	3.0	2	1	19	21½
Tunisia	Nov. 6	11,330	11.81	2.5	2	1	19	21½
Congo ²	Dec. 11	13,400	13.82	0	2	1	19	21½
Do ²	Dec. 21	.570	.57	0	2	1	19	21½
Paraguay	Dec. 22	2,400	2.63	5.0			19	21½
Chile	Dec. 29	17,600	18.39	10.0			19	21½
Total		139,033	146,769					

¹ Including ocean transportation.² Amendments or supplements to previous agreements.

Source: Individual agreements in "Treaties and Other International Acts Series."

Mr. MORAN. It is appropriate that the requirement of immediate repayment of 5 percent be waived in the event the President makes a determination that the recipient country's foreign exchange resources make this impossible. At the same time, a higher percentage should be required wherever the recipient is capable of making the higher payment. This percentage should be gradually increased until by 1971, 25 percent of sales would be in hard currency.

The CHAIRMAN. Do you suggest that we put this in as a mandate instead of leaving it to the discretion of the Department?

Mr. MORAN. I would be hesitant to do that, sir, because there are some cases such as the case of Indonesia or perhaps the Congo, occasionally where it would be impossible, but I think it should be phrased much more strongly that it is. But I think to try to make it obligatory might go too far.

The CHAIRMAN. As I recall, when we extended the present law back 2 years ago there was much objection to the payment of freight by the host country.

Mr. MORAN. These are pretty good terms that they received compared to what other aid donors give them.

The CHAIRMAN. I think last year it was \$80 million that the recipient countries paid for that. Before, we had absorbed the freight. We would simply send it to the port and say: "Here it is," and we would pay the freight and pay everything in our currency.

Mr. MORAN. Very often the out-of-pocket cost was there, which added to the expense.

The CHAIRMAN. Yes; certainly.

Mr. MORAN. 3. The provision in section 106(a), requiring payment within 20 years with no more than a 2-year grace period, be amended to cover convertible local currency as well as dollar sales.

We believe that this approach would help the United States in its balance-of-payments position immediately, would put pressure on recipient countries to undertake self-help measures and would lead more actively to a gradual transition to commercial sales.

Section 109(a) of the Food for Peace Act of 1966 requires that the President shall, before providing assistance under that act, consider the extent to which the recipient country is undertaking self-help measures. This requirement is vital if these countries are to achieve sustained economic development and if we are to meet the world's food problem in a timely fashion. The agreements negotiated in 1967 appear to have uniformly conformed to this requirement.

Special efforts should be made in the agreements under the local currency sales programs to contribute to these self-help measures. Priorities in the use of such funds should be given to the following:

1. Improvement in agricultural production, storage and distribution, including credit facilities.
2. Diversification of production.
3. Agricultural research, experimentation, and extension.
4. Education and training.

Section 104(e) of the Food for Peace Act of 1966 (Cooley amendment) provided that foreign currencies accruing in connection with sales for foreign currencies under this act should amongst others be used as follows: for use to the maximum extent * * * for loans to U.S. business firms * * * for business development and trade expansion * * * and for loans to domestic and foreign firms * * * for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of their markets for U.S. agricultural products * * *. This was recognition by the Congress of the role which private enterprise could and should play in economic development, particularly in the improvement of agriculture, in the recipient countries.

Far too little attention has been paid to this provision. In calendar year 1966, out of \$1,030,962,000 equivalent in local currency arising from local currency sales, only \$44,155,000 or 4.3 percent was set aside for these purposes. In calendar year 1967, out of the equivalent of \$912,018,000 in local currency arising from local currency sales, only \$41,211,000 for an average of 4.5 percent was set aside for these pur-

poses (see tables IV and V). This does not seem to be in accord with congressional intent.

(Tables IV and V follow:)

TABLE IV.—LOCAL CURRENCIES SET ASIDE FOR COOLEY LOANS IN CALENDAR YEAR 1966 AGREEMENTS

Country	Date	Local currency (in thousands)	Percentage, Cooley loan	Cooley loan (in thousands)
United Arab Republic.....	Jan. 3, 1966	\$41,050	5.0	\$2,052
Guinea.....	Feb. 4, 1966	2,380	5.0	119
Korea.....	Mar. 7, 1966	52,610	1.0	526
Ceylon.....	Mar. 12, 1966	4,540	10.0	454
Vietnam.....	Mar. 21, 1966	176,350		
Ghana.....	Apr. 1, 1966	7,460		
Turkey.....	Apr. 2, 1966	19,000	20.0	3,800
Jordan.....	Apr. 5, 1966	5,900		
Sudan.....	Apr. 13, 1966	4,160	5.0	208
Bolivia.....	Apr. 22, 1966	6,520	5.0	326
Congo.....	Apr. 23, 1966	4,940	4.4	218
Pakistan.....	May 26, 1966	104,162	5.0	5,208
Israel.....	June 6, 1966	23,500	5.0	1,175
Tunisia.....	July 30, 1966	13,370	10.0	1,337
Morocco.....	Oct. 25, 1966	9,600	10.0	960
India.....	Dec. 23, 1966	555,440	6.8	27,772
Total.....		1,030,982		44,155
Average.....			4.3	

Source: Individual agreements in "Treaties and Other International Act Series."

TABLE V.—LOCAL CURRENCIES SET ASIDE FOR COOLEY LOANS IN CALENDAR YEAR 1967 AGREEMENTS

Country	Date	Local currency ¹ (in thousands)	Percentage, Cooley loan	Cooley loan (in thousands)
India.....	Feb. 20, 1967	\$135,000	5.0	\$6,750
Ghana.....	Mar. 3, 1967	5,480	15.0	822
Vietnam.....	Mar. 13, 1967	47,400		
Tunisia.....	Mar. 17, 1967	10,388	10.0	1,039
Korea.....	Mar. 25, 1967	47,380	6.0	2,843
Ghana.....	Apr. 6, 1967	1,537	15.0	231
Morocco.....	Apr. 20, 1967	5,630	10.0	563
Pakistan.....	May 11, 1967	32,800	5.0	1,640
Sudan.....	June 3, 1967	11,450	5.0	572
India.....	June 24, 1967	87,800	5.0	4,390
Vietnam.....	July 26, 1967	2,200		
Pakistan.....	Aug. 3, 1967	85,500	5.0	4,275
Israel.....	Aug. 4, 1967	13,800	5.0	690
India.....	Sept. 12, 1967	67,500	5.0	3,375
Vietnam.....	Sept. 21, 1967	90,000		
Do.....	Oct. 24, 1967	4,600		
Morocco.....	Oct. 27, 1967	12,470	10.0	1,247
Ghana.....	do.....	2,460	15.0	369
Tunisia.....	Nov. 6, 1967	10,380	10.0	1,038
China.....	Dec. 12, 1967	37,500		
Ghana.....	Dec. 18, 1967	743	15.0	111
Pakistan.....	Dec. 26, 1967	31,400	9.0	2,826
India.....	Dec. 30, 1967	168,600	5.0	8,430
Total.....		912,018		41,211
Average.....			4.5	

¹ Including ocean transportation.

Source: Individual agreements in "Treaties and Other International Acts Series.."

Mr. MORAN. As the shift is made from local currency to dollar sales the availability of local currencies for these purposes will decline.

Congress foresaw this and made alternative provisions under section 107 of the Food for Peace Act. This authorizes dollar credit sales to U.S. or foreign private entities for the purposes of providing local currency funds for a project in a friendly foreign country which will result in the establishment of facilities designed to improve the storage or marketing of agricultural commodities, or which will otherwise

stimulate and expand private economic enterprise. Very limited use has been made of this provision.

Private enterprise could and should play a much greater role in improving the production, storage, processing and distribution of agricultural commodities in the developing countries. A much greater proportion of the local currencies arising from local currency sales agreements should be set aside for these Cooley fund purposes and a more aggressive effort should be made to secure the participation of private enterprise with the particular talents it can bring to this endeavor under sections 104(e) or 107, through which we can use and bring to these other people, along with their self-help measures, the knowledge that we have acquired in our private enterprise system.

In conclusion, Mr. Chairman, our association fully supports the proposal that Public Law 480 should be extended for a 3-year period. We do believe that certain changes should be made in the law and improvements in its administration to assure that the program may achieve the dual objectives of helping the developing countries improve their economic growth and meet their food requirements, while at the same time contributing to the solution of the U.S. balance-of-payments problem. We therefore recommend that the committee:

1. Amend section 103(b) to require that sales for convertible local currencies may only be made on terms not to exceed 20 years with a grace period of not more than 2 years.

2. Require a greater effort to secure initial payment in dollars or convertible local currencies on sales under title I of 5 percent or more with exceptions limited to clear emergency situations.

3. Require a much more aggressive shift from local currencies to dollars or convertible local currency sales. If a complete shift to dollar sales by the end of 1971 is to be achieved, the target for 1968 should be a minimum of 20 to 25 percent of title I sales.

4. Provide that priorities should be given in the use of local currency funds generated by local currency sales for the support of high priority self-help activities.

5. Require greater attention to the promotion of the participation of private enterprise through (a) greater allocations of local currency funds under section 104(e), and (b) a more aggressive use of section 107 transactions.

The CHAIRMAN. You stated that you realized that there are some countries that are able to pay. How could you justify that?

Mr. MORGAN. I think that there are some other countries that could pay 10 percent or even 15 percent.

The CHAIRMAN. Should we write in a formula?

Exactly, how could that be handled not to leave loopholes so that these administrators would do something else?

What do we do here?

Mr. MORAN. I think that it might be desirable to require a reporting on a quarterly basis.

The CHAIRMAN. That is all right, is it, after the horse is out of the stable, then it is pretty hard to get him sometimes? Anyhow, I expect to go over this thoroughly with the administrators of this program in the hope that we can get them to carry out the intentions of the Congress more than they have in the past.

Mr. MORAN. I think it has been a fine act, but I think it could be improved somewhat. I think that its administering certainly could be improved in order that we could get a fairer sharing by other countries and less impact on our balance-of-payments problem.

The CHAIRMAN. Thank you.

Mr. MORAN. Thank you.

The CHAIRMAN. Our next witness is Mr. Carpenter. Please identify yourself for the record and give your full name.

STATEMENT OF L. C. CARPENTER, VICE PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.

Mr. CARPENTER. Mr. Chairman and members of the committee, my name is L. C. Carpenter. I am vice president of the Midcontinent Farmers Association with headquarters at Columbia, Mo. The membership of this association is over 157,000.

It is indeed a privilege for me to have this opportunity to appear before you in support of the food-for-freedom program. It is vitally important to the farmers of America that Public Law 480, which expires at the end of this year, be extended.

Food for freedom is a program for all Americans, including farmers. I read the achievements of this program as President Lyndon B. Johnson summarized them in his farm message to Congress on February 27. And I thrilled with pride as I realized the extent to which I and other American farmers can identify with the significant accomplishments he listed:

The bounty from American farmlands and graneries has rescued millions of people from the brink of starvation.

Developing nations are helping themselves through national policies centering on agricultural development.

Sales are now shifting from foreign currencies to dollars. This repayment trend will improve our own balance of payments.

Food shipments are creating future overseas markets for the products of our farms and our industry, as the economies of developing nations grow stronger.

We read in the Book of Poverbs that: "Where there is no vision, the people perish."

Surely, the Congress of the United States demonstrated clear vision when it authorized the food-for-freedom program.

The broad and flexible authorities and guidelines of this program not only are helping win the world's war on hunger they also are making it possible for farmers to contribute significantly to helping our balance of payments. And they are opening new and exciting prospects for expanding and developing new markets around the world.

The assistance through concessional exports to victims of famine, earthquakes, and other calamities in the form of outright donations is indeed meritorious and should be continued.

But of equal importance, though not so well known, are the major contributions to our export program. As a farmer, this is the aspect of our food for freedom I would emphasize today.

One out of every four acres harvested in the United States goes into exports. In 1967 this was about 70 million acres. I do not have to tell

you what this means to farmers—25 percent of their total harvest is dependent on overseas markets.

This fact has equal significance for thousands of other Americans. Consider the many jobs that depend on this export business. Transportation, warehousing, processing, packaging, and financing are only a few of the business and services vitally affected by U.S. exports.

We are proud that under the aggressive and dynamic leadership of Secretary of Agriculture Orville L. Freeman, total agricultural exports have risen steadily during the 1960's. Today they are nearly \$7 billion, up from \$4.5 billion during the last 7 years.

It should be noted, too, that during those years the dollar sales from agricultural exports rose from \$3.7 to \$5.2 billion. These sales have been made it possible for agricultural trade to change from a trade deficit only a few short years ago to a substantial trade plus of \$585 million last year.

I asked the Department of Agriculture for some comparison figures on exports by commodities. These figures are a remarkable testimony in themselves. For example, our exports of feed grains rose from 25.8 million tons in 1960, to 49 million tons last year. Wheat exports climbed from 1.4 billion bushels up to 2 billion bushels. Rice exports went up from 5.2 million tons in 1960, to 6.9 million tons in 1967.

It is probably evident from the foregoing that I and other farmers in the United States have a personal stake in this program. But the fact that we have a vested interest should not obscure the additional obvious fact that extension of the Food for Freedom Act, a humanitarian program, is in our national interest as well.

Around the world today we are engaged in ideological conflict vying for the hearts and minds of men.

It would appear that we have at least two major tasks ahead of us as a nation.

One is, I hope, a short run task: To restore peaceful conditions and stabilize the peace in order to prevent the tensions of the day from escalating into a major nuclear war.

The other task is to build and strengthen the world community so the benefits of science and technology may be applied to enriching man's life.

President Lyndon B. Johnson said it correctly, and well: "The clock continues to tick in the developing nations—as the shadow of hunger threatens to turn into a nightmare of famine."

Food for freedom is not a complete answer in itself. But, it is a major weapon in the war on communism occasioned by famine and hunger, and it provides a base for countries to improve their self-reliance.

Under the food-for-freedom program, we have enabled developing countries to use food for capital. Sometimes food is used for wages. In other cases, the United States has returned currency paid for food as a loan or grant. The program not only furnishes help in productive public and private works, it also builds schools and hospitals to improve the education and health of the people. It aids in needed research projects, and essential facilities both in agriculture and industry.

Under the present program, food aid is a vital force in helping developing nations increase their own good production.

Having just returned from Japan, I personally know it is an outstanding example of a nation which has utilized food aid as a temporary assistance to sustain itself while it developed its own resources to the point they today are one of our biggest cash purchasers of agricultural exports. Greece, Italy, Spain, Taiwan, and Israel are other examples where our food exports, supplied earlier through concessional sales, are now largely carried on and expanded in commercial channels and paid for in hard currencies.

If there once was a fear that Public Law 480 and food for freedom would only create future hardships for American farmers by encouraging and developing competition for him in world trade, I think that fear has long since vanished.

Mr. Chairman and members of the committee, may I include one word of caution—farmers today are fighting the battle of the cost-price squeeze, as they have seldom ever had to do before. Net farm income must be improved if a healthy agriculture is to prevail. Passage of appropriate legislation continuing Public Law 480, coupled with effective administration of this law, will serve to improve net income which is so direly needed by the family farmers of America.

Experience has shown that the way to sell more U.S. farm products abroad is to help improve their economy, thereby creating the demand and then provide the supply. Underdeveloped countries today are agricultural markets of tomorrow. We can help them develop their economic and social potentials now through sharing our abundance and know-how. At the same time, we shall build future commercial markets for American farm production.

The food-for-freedom program will help us accomplish these goals. We fully support the bill you are considering and hope for early and affirmative action by this committee and the Congress.

Thank you for this opportunity to present our views.

The CHAIRMAN. Thank you, Mr. Carpenter. It was a very nice statement.

Mr. CARPENTER. Thank you.

The CHAIRMAN. All right, we will next hear from Mr. Herbert C. Fledderjohn.

Identify yourself for the record; give your full name, please.

STATEMENT OF HERBERT C. FLEDDERJOHN, FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Mr. FLEDDERJOHN. Mr. Chairman and members of the committee, I am Herbert C. Fledderjohn, president of the International Cooperative Development Association. ICDA is composed of U.S. cooperatives interested in making their knowledge and experience in the development of agricultural cooperatives available as a contribution to economic development and the "war on hunger." In the course of my activities I have had the opportunity of visiting several of the less-developed countries, particularly in Latin America and in Southeast Asia, and have seen firsthand the serious food problems faced by these countries and the efforts they are making on their own behalf and with outside help, to overcome their difficulties.

I am appearing for the Friends Committee on National Legislation, a Quaker organization, which from its inception in 1943 has consistently and actively supported legislation dealing with world hunger and economic development. The FCNL has testified several times before this committee on Public Law 480 and related legislation.

Those who know the highly individualistic nature of members of the Society of Friends realize that no person or organization can speak officially for all Friends. But on this question of America's responsibility to do its full share in overcoming world hunger, there is a high degree of consensus among Friends.

We appear here today to urge the extension of Public Law 480 beyond its present expiration date and to suggest ways in which it could be strengthened and made more effective as a part of the "war on hunger" and as a contribution to world peace and stability.

We are proud of the part that the United States has played in utilizing its food surpluses and its agricultural production capacity for the alleviation of hunger. However, we are dismayed by the trend in recent years to reduce the level of such assistance. Published figures indicate that in the past 5 years the United States has cut back expenditures for food shipments to the hungry nations by 27 percent, and this at a time when the per capita food available in the less developed countries has been declining. It was in the face of this impending food crisis that the U.S. Government adopted policies which would increase domestic food production. American farmers responded and we enjoyed one of the largest crop years in our Nation's history. It is ironic that in the face of our bumper production and the world's need, U.S. food shipments under Public Law 480—and particularly that part sold for local currency—declined. This inevitably resulted in seriously reducing both market prices to our farmers and the nutritional level in the hungry nations. Both lost. We of the Friends Committee on National Legislation would therefore urge that the funds authorized for the "war on hunger" be continued at the present levels, if not increased, and that the full appropriation be used in this important cause.

As to self-help: We support the emphasis on encouraging self-help in order to move toward a time when the developing countries will no longer be dependent upon the generosity of the United States and other developing nations to feed their people. We also recognize that care must be taken in the distribution of Public Law 480 foods to avoid depressing market prices to the point where indigenous production is discouraged, since this would be self-defeating. A very delicate balance is involved here and great sensitivity and patience are called for. Farm prices are not as important as human welfare. The self-help requirement should never be interpreted so stringently that the individual is forced to suffer for the inadequacy of his government.

Agricultural development is a slow process. Time is required to develop improved seed varieties, introduce plant production supplies, produce the required fertilizer, and train the millions of cultivators in their effective use. Centuries old traditions and customs must be changed and an infrastructure created to support more modern production methods. I do not mean to imply that the governments of the developing countries are not putting a lot of resources into this effort. They are. This past crop year gave evidence that substantial

progress is being made in several parts of the world. Yet this progress has not been sufficient to justify a reduction in our own food shipments. Even under the most favorable circumstances the average caloric intake in Asia, Africa, and Latin American will remain dangerously low for some time to come.

We are very uneasy over the proposed elimination of local currency sales, and we urge this committee to strike the wording in section 103(b) which requires transition to dollar sales by the end of December 1971. Any gain in dollars under this section will be more than offset by a slowdown in the development progress in the poorer nations.

The problem of food and agriculture is inseparable from the problem of economic development. Concurrently with advances in agriculture must come the creation of social services, industrial and commercial development that will make use of vast manpower resources, and the creation of the total infrastructure that is necessary to a modern economy. All of this requires capital, and a substantial part of it must be hard currency capital. Furthermore, in no country that I know of do our Public Law 480 food shipments cover the total need for imported food. This means that the developing countries are already using a part of their foreign exchange for needed food supplies. When U.S. shipments can substitute for hard currency purchases, they expand total available development capital. When local currencies are loaned back to recipients they speed the development process. Therefore, we urge the elimination of section 103(b) as a self-defeating proviso.

We also feel that the worldwide need for food is so great that the United States should stand ready to expand its own production, both quantitatively and qualitatively. In this regard, we note that the Department of Agriculture has estimated that, under current Government policies, it costs 60 percent as much not to produce a bushel of wheat as it does to produce it and give it away. Thus our food-for-peace shipments not only constitute a major humanitarian effort, but are a real bargain in economic development as well.

Since there is no chance of winning the war against hunger without a drastic reduction in the rate of population increase, more local currencies should be used to expand maternal and family planning programs.

A world at peace cannot be achieved if half are prosperous and half are poverty stricken—if half are fed and half left perpetually hungry. And hunger knows no political or ideological boundaries. If hunger is the enemy, it should be attacked with our resources wherever it exists. Our food should not be used as an ideological weapon. The guiding consideration must be our moral obligation to promote progress and relieve suffering wherever it is found. It is the earnest conviction of the Friends Committee on National Legislation that, in the long run, morality will prove to be both sound economics and enlightened foreign relations. Thus we recommend that sections 103(d) and 103(j) be stricken from the Food for Peace Act.

We appreciate the opportunity to appear before this committee.

The CHAIRMAN. All right, sir, thank you. I think that we are doing our share, plus, in helping to feed the world. It is the thought of us that we ought to give in proportion to what others have done. We have

exported our money abroad; we are exporting our youth. I do not think it is to our advantage to export the fertility of our soil. Thank you.

We will next hear from Rev. Clyde N. Rogers.

Please identify yourself for the record; give your full name, please.

STATEMENT OF REV. CLYDE N. ROGERS, DIRECTOR, TOWN AND COUNTRY DEPARTMENT, OHIO COUNCIL OF CHURCHES, COLUMBUS, OHIO

Mr. ROGERS. Mr. Chairman and members of the committee, I am Clyde N. Rogers, director of the Town and Country Department of the Ohio Council of Churches. The group that I represent includes our own staff and our board which is composed of clergymen from 17 denominations and 25 representatives of rural agencies. It has been my privilege to appear before this committee from time to time since 1954. When Public Law 480 was first enacted into law, I was the contact person between the Department of Agriculture and Church World Service-CROP when the first wheat and powdered milk were released to that agency.

We would express our gratitude to you and all other Members of both Houses of Congress who helped renew Public Law 480 in 1966, now commonly known as the "food for freedom bill."

We believe that there is a strong, significant and continuing role for the U.S. Government to (1) continue its work with individual developing nations of the world; (2) work with the appropriate United Nations agencies like the FAO and WHO; and (3) to help those voluntary agencies and private groups equipped to do so to increasingly serve as channels for self-help projects.

Because of the issue of separation of church and state, perhaps there should be established a "holding corporation" composed of outstanding citizens who would act as intermediaries between the U.S. Government and the non-Government groups for the purpose of handling cash, food, and projects to be supervised by those groups through approved channels.

We continue our strong support of the various titles of the present bill. There are two parts in the present bill to which we would call special attention. First is our great appreciation for the implementation of the population control section. We would advocate that this be greatly enlarged and strengthened. Every legitimate means should be used in family planning and population limitation. This is a major crisis of our time.

We would advocate that wherever possible, nursing mothers be given information and help so as not to conceive during the period of lactation. They then will give their babies a more adequate start in life. Kwashiorkor is a major result of babies being removed from their mothers' breasts before they are old enough to eat other foods which are available. Let us never forget that baby foods are not available in most countries.

There is one keen disappointment in the failure to fund one section of the present bill which is popularly known as the Farmers Corps. We would suggest that it be called whatever name is thought best for its implementation. We respectfully request that this section be adjusted if necessary so as to put into action this part of the law.

Appropriate agencies should be given the necessary funds and instructions to implement this program. We believe that this can be one of the most effective means of helping people to help themselves. Farmers know how to show other farmers a way to improve their methods of agricultural production.

In our evaluation of the law as it has been in the last 2 years, much still needs to be done as pointed out by the President's Science Advisory Committee which produced the book "The World Food Problem." We would recommend that this book be reprinted and used through various groups as a part of a massive educational program on the importance of this problem. Every thinking family should have a copy of this book.

We would call attention to a new resolution adopted by the general board of the National Council of Churches of Christ in the U.S.A. on February 22, 1968. We endorse this statement as submitted to you by Church World Service. It is worthy of wide study and implementation.

Perhaps one of the greatest roles of the voluntary agencies like Church World Service has been the food for work projects. This type program should be developed to its fullest possible extent. New means should be discovered for the use of America's abundant food as wages in many ways.

Another very important facet is in the use of local currencies in the development of roads, manufacturing establishments, business enterprises, marketing facilities, educational institutions, health clinics, and many related fields. Cooperatives and credit unions should be developed widely.

Sound agriculture is basic to economic growth, not only in the United States but in the developing nations as well. We are slowly learning that it is good business to help people help themselves.

The popularization of the various types of high protein supplements including soy products and fish powder, needs to be developed in the needy areas of the world. Funds should be made available as a part of the law for developing these programs.

As we have stated before this committee many times since 1954, the farmer has paid too much of the cost of our world food program. This is not as it should be. The farmer should bear his part of the cost only as other segments of society do. All Americans need to recognize that food is our greatest natural resource. Abundant food is America's greatest blessing. In order to have enough food for ourselves and others there must always be a surplus. This is a strategic resource which should be available at all times.

As I proposed to this committee in March 1954, there should be a strategic amount set aside of \$3 billion worth of food which could not be dumped on the world or domestic market to cut prices but would be used only to feed hungry people. Experts in the field of agriculture should know the amounts and kinds of foods which should be set aside in harmony with today's needs. If we had a domestic shortage it could be brought back into the market to be used in our country. We must have adequate food as a national reserve. The farmer must have income from the sale of his products equal to any other segments of society. He must be protected in every way so that he can have his part of the national income.

We are grateful for the great amount of good which has been accomplished in the food for freedom bill. We feel that with strengthening, adaptation and safeguards we have mentioned, this program has great possibilities toward achieving world peace in the future. We have only scratched the surface in helping people to meet their own needs. May we not let anything get in the way of accomplishing these purposes which are in harmony with the best of our traditions. The long, hard, road to peace will be reached only as hunger and ignorance are banished from the world. It is both good morality and good business to achieve these purposes.

The CHAIRMAN. Thank you. I think you are very generous in wanting to provide more for these people—more than you can afford. It is my belief that the problem of providing food for the hungry people is more or less international and it ought to be done by all of the people, in aiding in this program. And if you undertake to do the whole job, yourself, the chances are that it will be left to us.

Mr. ROGERS. I agree with you 100 percent. I think every nation that is a surplus-producing nation should be pressured—may I use the term “pressured”—to do its part of it, because I believe it is in the interest of good business and good sense to do it.

The CHAIRMAN. Whether they produce more than they need or not, there are other means of helping, such as furnishing money to buy other things.

Mr. ROGERS. I agree with that. I think you and I would be 100 percent in agreement in everything that I have heard you say from the beginning which I believe to be sound, and I appreciate the additions that you have made to the bill, so far as I am concerned, and I endorse those as well as the present bill.

The CHAIRMAN. Thank you.

Mr. ROGERS. Just one other question, Senator. I have been deeply concerned that with your help and the help in the House, we passed the farmers corps, as we call it, as a part of the bill, and it has never been funded, and when you folks are speaking for aid in agriculture, as the House did last, put pressure on them—it has not been done. I think it is a valid part of it and has every right in this to be implemented. The Secretary of Agriculture, Mr. Freeman, made a similar statement before the House committee that he felt that there should be some experiment of some sort done here. Let us get on with it, so far as I am concerned, because I think it has possibilities. I hope that we can get your support in seeing that this does happen.

The CHAIRMAN. All right. Thank you very much.

This ends the hearing for today.

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

(Whereupon, at 12:30 p.m., a recess was taken until 10 a.m., Thursday, March 14, 1968.)

EXTENSION OF PUBLIC LAW 480, 83D CONGRESS

THURSDAY, MARCH 14, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (presiding), Aiken, and Young of North Dakota.

The CHAIRMAN. The committee will please come to order.

We are considering an extension of Public Law 480.

On yesterday we had several witnesses testify, and today we have another group to testify. We have three bills to consider on the subject. Two of them are merely extensions for 3 years, and a third one not only extends the law but provides for two amendments indicating how some of the surplus funds can be used.

I am very hopeful that the witnesses who appear today will try to restrict their testimony to Public Law 480. Yesterday, we had quite a discussion on what we ought to do in order to alleviate the plight of the farmer.

For the information of the witnesses who will appear here today, I wish to say that beginning on April 3d through to the 10th of April, the committee will consider bills dealing with our farm program for the future—that is, an extension of it, but it is our hope to merely hold hearings in order to find out whether or not the farm bill can be improved. And we will use the testimony that is presented during the April hearings as a basis for the introduction of a bill by this committee in the early part of the 91st Congress.

I do not want to cut anybody off from testifying, but I simply express the hope that their testimony will be restricted, primarily, to the issue at hand, and that is the extension of Public Law 480.

The first witness this morning is Mr. John E. Lynn, of the American Farm Bureau Federation.

Please identify yourself for the record and those who are with you.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

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

My name is John C. Lynn, and I am accompanied by Mr. Herbert E. Harris II, and Mr. Reno Walker, who has joined our staff and who will not be participating this morning, but you will be seeing him up here quite a bit.

Our statement is rather brief. The statement which we will make before your committee on April 4th will be much lengthier, having to do with the farm program.

The CHAIRMAN. I expected that.

Mr. LYNN. Yes.

We appreciate the opportunity to present the views of the American Farm Bureau Federation with respect to the extension of Public Law 480 and the use of our agricultural productive capacity to combat hunger in the less-developed areas of the world. Farm Bureau has long supported efforts to make constructive use of the actual and potential output of our efficient agricultural industry. Efforts in this regard have been threefold:

(1) We have advocated policies aimed at maximizing mutually advantageous commercial trade.

(2) We have supported policies aimed at supplying food and fiber assistance to less-developed nations unable to acquire needed supplies through commercial trade.

(3) We have advocated Government farm program policies designed to preserve the market system as the principal influence in determining the use of farm resources and distributing farm output.

Members of the committee will recall that Farm Bureau played a major role in the development of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and that we have supported periodic extensions and revisions in this legislation. Many recommendations that we made were incorporated into the act of 1966.

Our objectives in supporting Public Law 480, now generally called the food and peace program, have been to reduce accumulated surpluses, provide needed aid to friendly foreign countries, and expand commercial trade as recipient countries develop their own economies.

Since 1954 surplus farm products worth some \$30 billion in terms of acquisition, handling, and shipping costs have been distributed to more than 100 nations under Public Law 480. This program obviously has been an important outlet for U.S. products and an important source of supplies for the recipient countries.

On the other hand, the objectives which originally led us to support such legislation have not been fully achieved. We believe that it is important for the Senate Agriculture Committee to take the time to review carefully the operation of this law.

Public Law 89-808, the Food for Peace Act of 1966, extended Public Law 480 for 2 years, through December 1968, and authorized some very important changes in the program. We were happy to associate ourselves with many of these changes. We were particularly pleased with the new emphasis on self-help programs for recipient countries. The act of 1966 no longer limits food aid to surplus commodities but encompasses commodities determined to be available by the Secretary of Agriculture.

There is evidence that Public Law 480 programing has not been able to break away from the "old surplus philosophy." Noncommercial movements of dairy products are an example. The following figures indicate the noncommercial exports of milk equivalent in million pounds, butterfat: 1964, 6,504; 1965, 1,422; 1966, zero; 1967, 10.

Concessional sales of nonfat dry milk follow a similar pattern: 1964, 230; 1965, 178; 1966, 64; 1967, 61.

Senator AIKEN. I might put in a little explanation there.

You see, 2 years ago the production and consumption of dairy products came into almost exact balance in this country. Then, the Government failed to enforce the import regulations for dairy products until the equivalent of I do not know how many billion pounds of dairy milk had been brought into this country virtually illegally. The situation was getting so bad, surpluses were piling up so fast, that the President finally asked the Tariff Commission to study the situation. There was no question but that ice cream mixes were coming in from Belgium illegally—products which could be quickly made into cheddar cheese—and they were coming in from other countries as well, and the Tariff Commission finally made its report to the President. They opposed putting any further restriction on these imports, but the President overruled the Tariff Commission and restored the legal system of imports.

That was done last July 1, but, as the result of this failure to enforce the import regulations, our Government has had to buy the equivalent of something like 8 billion pounds of milk, costing several hundred millions of dollars, I think about \$300 million.

Now, we have built up another CCC surplus, because the damage has been done. There was a 6-months supply of ice cream mix on hand from other countries, primarily from Belgium, before we took action and overrode the Tariff Commission which was all in favor of the foreign producer. Now it is beginning to straighten out again a little, but, in the meantime, the damage, as I have stated, has been done, and production has gone down in this country—the net production for this year, I think, on dairy products and milk is down about 3.5 percent from that of last year, and about 3 or 4 percent last year from the previous year. So, the dairy industry is going down and down and down all of the time, and the principal reason for it has been the failure to enforce the import regulations for about 15 months.

Mr. LYNN. Of course, the point we are attempting to make here is—

Senator AIKEN. Your point is all right. I just wanted to get my point in there, and I thought it was a good place to do it.

Mr. LYNN. We were happy to associate ourselves with your efforts and the efforts of the committee in that project.

Senator AIKEN. It is unbelievable that the President had to override his Tariff Commission which recommended that we continue not to enforce the law.

Mr. LYNN. Yes, sir. (Pause.) Returning to my prepared statement. In other words, during a period when a great deal of publicity has been given to the need of less developed countries for increased food aid, especially in nutrients, the programing of dairy products was severely curtailed. The obvious explanation is the fact that CCC stocks had dropped from 153,898,000 pounds on December 31, 1965 to 384,000 pounds on December 31, 1966. Now that CCC dairy stocks have been rebuilt to 423,407,000 pounds—as of December 31, 1967—food aid shipments will probably be resumed.

We believe that on and off programing of this type is not in the best interest of recipient countries nor of American dairy producers. We do not believe it is consistent with the amendments placed in the act by the Food for Peace Act of 1966.

Another important feature of the legislation as extended in 1966 is a provision for a transition from sales for foreign currencies to sales for dollars on credit terms at a rate whereby the transition can be completed by the year 1971. We think this is a good objective. We would recommend that the legislation insist on the accomplishment of this objective according to the time schedule outlined in Public Law 89-808. Unfortunately, there has not been a great deal of progress made in this direction as the following figures for long-term dollar credit sales indicate:

Fiscal year 1965, \$157 million; fiscal year 1966, \$173 million; fiscal year 1967, \$177 million.

You can see there that from 1966, when you amended this act, that there has only been a slight increase in the long-term dollar credit sales.

The CHAIRMAN. \$4 million.

Mr. LYNN. That is right.

The CHAIRMAN. Did you look over any of these contracts to ascertain this, or did you get this information from the U.S. Department of Agriculture?

Mr. LYNN. We got these figures from the Department's statistics. We understand, based on our listening in on the hearings when the Secretary appeared in the House, that all of these contracts are 40-year contracts and are at 2.5 percent, which seems to be a little long.

The CHAIRMAN. I agree. I expect to submit to the committee some legislation which may shorten that some.

Mr. LYNN. Yes, sir.

The CHAIRMAN. And write it in specifically.

Mr. LYNN. Yes, sir.

The CHAIRMAN. And if you have any other views on that particular area of the bill, the committee will appreciate receiving them.

Mr. LYNN. Yes, sir.

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

Let me insert this: If we would give as much emphasis to agricultural exports as we have been giving in trying to control the tourist travel abroad, we would have done a great deal more toward solving our balance-of-payments problem. We firmly believe that we could export one-half billion dollars more of agriculture commodities commercially in 1968 if we would work at it.

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

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

If food aid, economic assistance, and technical assistance are to be

coordinated, U.S. assistance should be offered to less developed countries as a unified program containing those elements that will best fit such country's developmental needs.

In this manner, a less developed country—which has designed its own self-help program for development—can confer with the United States on a package program of assistance. We believe that country-by-country programs—mutually agreed to by the recipient country and the United States—should be submitted to Congress so that foreign aid money can be appropriated in an intelligent and constructive manner.

The CHAIRMAN. Would you suggest that this be on all contracts before the goods are delivered?

Mr. LYNN. Yes, sir. Let us fit the money to the plans that they present rather than fitting the plans to the money, as we are now doing.

The CHAIRMAN. I am sure you will have much delay if you have to submit that to the Congress and let Congress pass upon it, anyway before shipments are made.

Mr. LYNN. We have in mind something like what this committee did with regard to Public Law 566 funds. This does not take so long, and I expect you would have a fewer number of these programs than you have in Public Law 566. I think that the Congress has done an excellent job in screening those and causing us to get our dollar's worth out of them.

Senator AIKEN. Would you require congressional approval before they are put into effect?

Mr. LYNN. We would like for you to at least have a report on them.

The CHAIRMAN. Do you mean a report after the agreement is made?

Mr. LYNN. No. We would like for your committee to be tuned in as to what this big agreement is going to be with India, for example, before it is entered into, and have you and the Foreign Relations Committee, which has jurisdiction over the foreign aid program, to see if the plan is properly coordinated. We simply would like to have foreign aid and Public Law 480 coordinated. This ought to be done by the executive branch of the Government, but we see a lot of evidence that it is not being done. It may be that you would want to write, in your report, language dealing with this matter.

We recommend that (1) Congress appropriate funds for food aid in the same manner that it appropriated funds for other foreign assistance, and (2) the commodities to be shipped under food-aid agreements be purchased through regular market channels.

The CHAIRMAN. Do you believe that foreign assistance under Public Law 480 is treated more or less as a supplement to other foreign aid?

Mr. LYNN. Yes, sir.

The CHAIRMAN. And you want to make it a part of it?

Mr. LYNN. Yes.

The CHAIRMAN. In other words, to use food in lieu of cash—is that what you are suggesting?

Mr. LYNN. Wherever possible and where necessary to have a blend of cash and food, make sure that they are put in together.

Senator YOUNG. Let me ask you this question:

In connection with the use of section 32 funds to try to stabilize the prices of perishable commodities, you would not use any of the food thus acquired under Public Law 480?

Mr. LYNN. If the Commodity Credit Corporation purchases in the market as you indicate, from section 32 funds, we would have no objection to that. We are simply trying to give emphasis to the fact that this ought to be in the marketplace rather than all coming out of Commodity Credit Corporation stocks. Congress made it clear, in extending the Act of 1966, that your intention was to get away from the word "surplus" and to the market; you made that very clear.

There would be no need to use the Commodity Credit Corporation to finance such a program; there would be no reason to charge the Department of Agriculture for the cost of such a program. This would be a food-aid program based on what the people of recipient countries need and could use effectively. It would not be surplus disposal. It would be designed to meet humanitarian and foreign policy objectives, with emphasis on shifting to commercial exports.

We believe it is important for Congress to continue to review this program periodically, and we believe every 2 years, and recommend an extension not in excess of two years with an authorized program level of not more than \$1.5 billion per year.

In the extension that you did in 1966, that authorization was \$1.9 billion.

Public Law 480 should:

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

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

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

The milk example that we used earlier demonstrates this very clearly.

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

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

The CHAIRMAN. If the purchasing country is to make its own transportation arrangements, I assume you would strike from the law the requirement that one-half be shipped in American bottoms?

Mr. LYNN. U.S. bottoms, yes.

The CHAIRMAN. You want to eliminate that?

Mr. LYNN. Yes.

The CHAIRMAN. You would not have any chance to put that through the Congress.

Mr. LYNN. This is not the first one that we might have failed to get enacted.

We believe that the changes made in the basic program in 1966, if properly implemented, will help accomplish these recommendations and achieve the basic objective of this program.

Let me just add in summary, Mr. Chairman, that we think that the basic changes made in 1966, if properly implemented, would accomplish the objectives, as we see them, of Public Law 480. We have two specific suggestions, in addition to those changes that you made in 1966; namely, a 2-year extension, with an authorization of \$1,500,000,000, but with insistence in the report, we hope, that the law be implemented, as you passed it in 1966.

The CHAIRMAN. What is your recommendation on title II, that is, the giveaway? \$600 million plus is authorized annually. We used \$378.2 million last year. Do you want to do away with that?

Mr. LYNN. We wish that we could. We are in such difficulty in so many places, that we would like that, but we do not see any possibility of doing it, at this time but if it is integrated with title I sales, and the use of these local currencies for real constructive purposes abroad, and you can use title II as a sweetener, if you please, to get some things done, then this may be the best way to do it.

The CHAIRMAN. Well, as you know, when this bill was up for extension 2 years ago, I thought then, as I do now, that our assistance is more or less humanitarian. We do not owe anything to India or to Pakistan. In fact, we do not owe any of these countries, and since this program is a humanitarian one, it seems to me—and it seemed to me 2 years ago—that our assistance should be gaged by what other countries are doing and that we should not be carrying the whole load, because that is what is happening.

We have very few countries that are assisting in this great humanitarian effort, and it is my belief that we ought to offer to furnish a certain percentage of the requirements and condition our contribution on its being matched by other countries who should be thinking, as we are, of this great humanitarian effort.

Mr. LYNN. Well, I think, every American is for this idea. There will be before the Senate soon a proposal, dealing with the wheat trade food aid convention which is up for ratification by the Senate, and I would hope that the Senate would study very carefully the commitments that have been made by other countries in connection with the wheat trade convention. Based on certain information, they have committed certain tonnages, but there is no increase over what they are currently doing, so that this is not a great sacrifice on their part.

The CHAIRMAN. As I said yesterday, many of the countries that we are assisting use the hard currencies they have to buy from countries other than this country.

Mr. LYNN. Yes, sir.

The CHAIRMAN. In the hope that we will come in as a residual furnisher of food and supply the difference.

Mr. LYNN. Yes, sir.

The CHAIRMAN. And if we pursue such a policy as that we will end up by furnishing most of the needs, either by way of gifts or by accepting in payment the currencies of the host countries, repayable on a long-term basis.

Mr. LYNN. Yes, sir.

The CHAIRMAN. And that I do not like.

Mr. LYNN. Yes.

The CHAIRMAN. That is why I believe that this committee should

look into that more and try to shorten the term in which the payments are to be made and hasten the time when their currencies will be convertible into hard currencies.

If you leave it to the host countries, you will never get any hard currencies out of it.

Mr. LYNN. Along this line, we have given a lot of thought to suggesting an amendment to provide that in any new agreements that we might negotiate with India, for example, that we ought to require that they buy a percentage of their requirements for dollars.

The CHAIRMAN. They do buy a certain percentage, but not from us.

Mr. LYNN. I know. It ought to be specified that it be from the United States. Also, we have given a lot of consideration to this 20 million acres that is being used in India, some of it the best land, to produce cotton at 125 pounds per acre. In negotiating an agreement with India, the use of this land ought to be discussed. We know that they want to produce cotton in order to produce some dollar earnings, but is this the best use of this cropland at a time when we have over 60 million people in India who are in danger of starvation?

The CHAIRMAN. I would not insist that we do all of this, but it strikes me very forcefully that since this is a humanitarian effort that other nations of the world who are capable of assisting should lend a hand as we have.

Are there any further questions?

Senator YOUNG. Yes, sir.

As you know, under the Export-Import Bank, we have a multi-billion-dollar-a-year program of loans to encourage exports of industrial commodities. Under the foreign aid program we give away billions of dollars for economic assistance and for purchasing military and to pay for other military assistance.

Do you not think that it would be just as important to have multi-billion-dollar programs to provide for hungry people of the world and help get rid of surpluses here?

Mr. LYNN. Yes, sir; we do have programs, as you know, to sell on credit to these countries.

Senator YOUNG. But we do not have any program comparable to this Export-Import Bank program. Under the foreign aid program we literally give away billions of dollars of economic assistance, and they can, frankly, do what they want to do with it.

In view of all of this, I do not think that we should be so tight in what we do to help the farmers here.

Mr. LYNN. We would be very much for any mechanism that we could use to sell for dollars on short-term credit sales.

Senator YOUNG. You do not believe in giving away food?

Mr. LYNN. Well, we have been one of the real supporters of Public Law 480 all of this time, and there have been some \$20 billion worth of food, practically, given away under it, and we have supported the foreign aid assistance program.

But I think that all we are suggesting here is that we ought to tighten up on this program and make sure it is meeting the current needs.

Senator YOUNG. I think that the Farm Bureau deserves a lot of credit for the enactment of Public Law 480 in the first instance. I note that you are getting a little bit more conservative as times goes on.

Mr. LYNN. That was about 13 years ago.

Senator YOUNG. You were one of the original sponsors of this program.

Mr. LYNN. Yes, sir; and we appreciate your support.

The CHAIRMAN. Last year's record indicates that from January 1 to December 31, 1967, the value of the agreements signed for local currencies, Senator Young, was \$912.02 million, whereas the conversion; that is, the local currency to be converted into hard currency, was \$152.57 million. And direct sales made by the trade were \$18.3 million—a very small amount.

Mr. LYNN. Yes.

The CHAIRMAN. It should have been much greater than that.

Mr. LYNN. That was smaller than I realized.

The CHAIRMAN. Then, as I have pointed out, dollar credit sales were \$139.03 million.

Mr. LYNN. Yes; but still not enough.

The CHAIRMAN. But still not enough, yes. As long as we permit these transactions for local currencies, which we have in abundance now, they are going to lean on us; but I think that it is time to get hard nosed. And I think that your suggestion is sound, that if they do buy for cash with hard currency in any country, we ought to get our share of that before we accept the local currency.

Mr. LYNN. Or give it away. Yes.

The CHAIRMAN. Are there any further questions?

If not, we thank you very much, Mr. Lynn.

Mr. LYNN. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Harry L. Graham.

Please identify yourself for the record, giving us your full name.

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

Mr. GRAHAM. Mr. Chairman and members of the committee, I am Harry L. Graham, the legislative representative of the National Grange.

Some people call it food for peace, some call it the war on hunger, some call it Public Law 480, but for 100 million recipients of U.S. assistance in feeding the hungry, it is an act of mercy and an expression of brotherhood which finds no equal in the history of the world, and the relationships in that world between nations.

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

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

this ministry of mercy to keep people alive, and to try to protect the learning capacity of children, even before they are born.

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

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

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

Might I interject that we would not support an agreement to take away the use of this program to reduce our surpluses. We do not think it should be for that purpose alone. We supported the writing into the present bill the permission to purchase from the marketplace. And we cannot use this to remove our surpluses. And it seems to us that it has lost some of the value that it ought to have. Otherwise, what will we do with the surpluses? Keep them here and sit on them, ourselves? We say to you, both ways. When surpluses are necessary to be removed, as milk was when we had more milk, as the Senator from Vermont indicated a while ago, but when there was no milk, no surplus milk being produced, in 1966, and there was no powder available for purchase, even though we increased our support level for milk from \$3.17 to \$3.50, and then to \$4—during that year we were not purchasing any surplus milk. And to assume that we should send the same level of milk overseas at that time when we were simply pushed and had pushed up the price considerably—and we might have pushed up the price considerably here at home—and we do not object to that, but to have it go in that direction, simply to have a regular programing, just does not make as much sense to us as it apparently does to some people. We think that when surplus is available as it is now, it should be programed. In times when it is not available, then we should use the best mix that we have at the cheapest price to our Government, especially for this direct relief. That has many variations; it can be rice, it can be wheat, it can be soybeans, it can be soybean mixes, it can be many things, but I think that Public Law 480, the administrators of that, that they have some responsibility to have as economical and as good a nutrition mix as is possible. If that means that he does not purchase some commodities when they are in short supply, so be it, but when they are in long supply and add to the mix, and the cheapness of it, then I think that we ought to go in that direction.

The CHAIRMAN. You have stated that this is a humanitarian effort made on our part. Do you not feel that since it is in that category the whole world should join us in providing food for starving people?

MR. GRAHAM. Certainly, we do. We are very much in support of the attempt of our Government to increase the participation in food aid as a part of the international agreement. We did not get as far as we should. I served as a consultant to the FAO. And although ashamed of the fact that some of the rest of the world has not matched us, we offered again last year in terms of multilateral food aid to match what the rest of the world would do, dollar for dollar, and it was a good offer, and they came up with about one-third of what we had offered to do. But, on the other hand, we should remember that some of their aid also is unilateral like ourselves. The fact of the matter is that the French nation—and I do not go out of my way to say anything good about Mr. de Gaulle, but a fact is a fact—on a per capita basis, France has done more foreign aid than we in the United States.

THE CHAIRMAN. To whom?

MR. GRAHAM. To their former colonies, as you know.

THE CHAIRMAN. No; I do not know it.

MR. GRAHAM. Well, I mean this is what it is.

THE CHAIRMAN. But I know the way they are doing it. It is not direct aid at all. What France is doing is that they are buying peanuts, let us say, from North Africa, at a price say maybe a little higher than they can buy those peanuts here, and that is the form of aid that they are giving. It is not direct aid. I have been there. I have been there many times.

MR. GRAHAM. I would not argue with you, sir. I am just quoting what they said.

THE CHAIRMAN. You ought to be better informed on that than to make a statement that France is giving more aid to the people there than we are. I disagree violently with that.

MR. GRAHAM. I said what I said—it is that even it costs more per capita, on that basis, than we are publicly doing. As I say, I do not necessarily agree with France on very many things.

I was in Germany last fall and was pleased at the amount of assistance that Germany is giving. This is more general than is that of the French. I know the French. It is very much directed to their former colonies only, and those really are a part of France today.

THE CHAIRMAN. There is something else that people do not know about: It is true, as I have just said, France does subsidize agricultural products that are produced in Africa to help the colonies; but let us not forget that France owns in many of the former colonies, lock, stock, and barrel, many of the resources from which they obtain a good deal of those products. I know that. I have been there to see it. There is a lot of timber and the like, a lot of oil and other commodities that they would have to go on the open market to buy; but, in buying it from their own people and helping to develop it, France is far ahead of the procession. You do not see us doing that. That is why I say that France is more or less selfish about it. We are doing this from the heart, I think.

MR. GRAHAM. I agree that most of theirs is selfish. Most of the things they do are. There is no argument on that. The fact is that the rest of the world did not come up to our offers in terms of helping.

THE CHAIRMAN. That is what I am complaining about.

MR. GRAHAM. Regarding the point that you made previously in terms of purchasing for cash by the countries which are receiving from us,

I think that their cash purchases should be in proportion to the amount of relief that they received from the United States.

The CHAIRMAN. What has happened in the past, in my humble judgment, is that because of the huge surpluses we have had on our hands and because of our soft-nosed policy we have been giving to everybody for the asking. It strikes me that we ought to begin to attach conditions. We have become, as I said, and I want to repeat, a residuary furnisher of supplies to many countries of the world.

Mr. GRAHAM. There is no question about that.

The CHAIRMAN. If they have any hard currency to buy food with, I want to see them buy a proportionate share from us with hard currency before we accept some of their local currency.

Mr. GRAHAM. Or just as a direct gift.

The CHAIRMAN. Yes, sir.

Mr. GRAHAM. You can get better figures and easier than we can, but we did understand there was some pretty hard bargains driven this last year with India, and that they are prepared to purchase more from us than they eventually did, because of the Suez Canal, which made it more difficult to get things to them. The west coast remained the same, but the east coast was affected.

P.L. 480 programs to dispose of surpluses ended as probably the best market development device ever used by any country. The major purchasers of U.S. agricultural commodities today were, all of them, at one time, recipients of food-for-peace programs. Let's just look at this list.

Japan, Spain, Israel, Korea, Taiwan, Iran, Brazil, Peru, and Chile.

I would add the Marshall plan aid to Europe and Japan and the European countries, especially Germany in feed grains, and France also, and to some extent the United Kingdom, which are the best cash customers we have.

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

The Grange believes that the program should be continued. We believe that the restrictions and directions given to the program by this committee and the Congress in 1965 are adequate to increase the participation of the recipient countries and to minimize the cost of this Government.

What we are saying there, Senator, is that we think that the authority is in this legislation to do what you are saying to do now. Whether it is being used or not is something for this committee to render its judgment on. You have ways of indicating to the administration how this can be implemented, but I think the authority is there. Do you not?

The CHAIRMAN. Oh, yes. And from the information so far received, it has not been carried out. I am going to look into this specifically more when Mr. Freeman comes in.

Mr. GRAHAM. This is well within your province.

We would also point out that the agreement which was negotiated as a part of the Kennedy round should extend the participation of

other governments in this effort to prevent famine and the inevitable political disorder which follows it in many countries of the world.

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

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

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

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

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

Incidentally, we think that we would support the concept that when food is donated that as far as possible to use that capital and not as a trade donation.

The CHAIRMAN. Meaning to the host countries?

Mr. GRAHAM. To the host countries, if they used it to pay people, their people, to do work that needs to be done.

The CHAIRMAN. Somewhat like we had in Tunisia?

Mr. GRAHAM. Yes, sir; certainly.

The CHAIRMAN. I agree to that.

Mr. GRAHAM. Yes, sir.

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

The problem of the balance of payments is considerably more deep seated. A major problem was discussed by us at the time we presented our views on the report of the Council of Economic Advisers to the Joint Economic Committee.

And if the committee wishes, we will include that, but we have not included it here.

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

I would note that you are in agreement, and since you have been there that there was only one nation in Africa that was considered to have administrative ability enough to do a really good job, and when they do not have this, it is pouring money down the rat hole.

The CHAIRMAN. Where did you hear that?

Mr. GRAHAM. I have heard it from some people from Africa.

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

At this point, I simply refuse to believe that the American people will not rise to the problems that face them if they are told honestly and candidly what these problems are. I even believe that they would accept the surtax without any political repercussions if the administration, the Congress, and the public figures in the United States would lay their cards on the table face up as to what it is that we face in this coming year.

The problem is not whether or not we have guns and butter; we obviously have to have both. The internal problems in the United States and the external problems which we, along with the rest of the free world, face around the world, are going to be with us for some time. The problem is whether we have butter and jam, both, in the private sector. The fact is that the average standard of living of American people is so high that it is almost ridiculous. The average American is unwilling to pay the extra tax simply because he has not been told how extremely critical this situation is. The administration was reluctant to really push a tax hike that was advised by the CEA last year, and there are a great many Members of the Congress and of the Senate who know that a tax increase is as inevitable as day following night but who are using the present time to dismantle programs with which they are in agreement. This can very well be the fate of this excellent and profitable program which we consider here today.

If we could have a 30-day moratorium on politics while this is being considered so that the needs of deprived people around the world could at least have a minimum level of satisfaction, if the alternatives of world hunger and chaos with its inevitable political convulsions which follow, if the basic economic wisdom of this investment

could be presented with the net value to our country in terms of markets which have been developed as a result of this program carefully catalogued, to say nothing of the fact that this is about the only way that an individual in our corporate society of 200 million people can effectively share with needy people around the world as we, as a nation, attempt in some measure to follow in the footsteps of the Good Shepherd, the gentle Jesus, then I believe this and other necessary programs of this Government could be funded, and would be, by the American people. They have not shown a reluctance to make sacrifices when sacrifices were demanded. The question which now remains unanswered is whether this Congress and the administration are going to ask for and expect these sacrifices and build support for this and other worthwhile programs by a candid appraisal of the problems and report to the people of the same.

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

The CHAIRMAN. Mr. Graham, as you remember, last year this committee debated as to whether or not the family planning provisions of the act should be voluntary or obligatory. Have you any views on the subject?

Mr. GRAHAM. I think we should, at least, make them available now. Beyond that, I have not the expertise on this to know whether we should make them obligatory or not.

The CHAIRMAN. In order to make more family planning available I made a suggestion in the bill that I introduced, that not less than 5 percent of the total sales proceeds received each year, shall, if requested by the host country, be used for the family planning work on a voluntary basis.

Mr. GRAHAM. I would not put that limitation on it. If they want to use 20 percent of their soft currencies, all right. I would not object to that, because they still have a lot of soft currencies and a lot of need for family planning.

The CHAIRMAN. They could do it if they desired to do so.

Mr. GRAHAM. Certain, they could.

The CHAIRMAN. With the funds that are made available.

Mr. GRAHAM. Certainly. We have so much money over there that we just might as well be using it for that and, probably, more effectively than to try to restore their economic situation with it.

The CHAIRMAN. You may have misunderstood my reading a while ago. It is not limited to 5 percent.

Mr. GRAHAM. Not less than 5 percent, yes. We would support that. There is no question about that.

The CHAIRMAN. Any questions?

Senator YOUNG. Thank you for a good statement.

The CHAIRMAN. All right. We will next call Mr. Norton.

Will you give your full name and identify yourself for the record?

STATEMENT OF MICHAEL J. NORTON, DIRECTOR, SPECIAL SERVICES, AND M. R. GARSTANG, GENERAL COUNSEL, NATIONAL MILK PRODUCERS FEDERATION

Mr. NORTON. Mr. Chairman and members of the committee. I am Michael J. Norton with the National Milk Producers Federation, and I am accompanied by Mr. M. R. Garstang, general counsel of the federation.

The National Milk Producers Federation, which represents dairy farmers and cooperative associations which they own and operate, appreciates this opportunity to express its views on Public Law 480—the food for peace program—and to generally support the various proposals under consideration by your committee which call for extension of the program.

From an overall standpoint, one cannot question the general effectiveness of Public Law 480. This program, through the distribution of agricultural commodities, has made an outstanding contribution in a number of ways. It has served to alleviate hunger throughout the world. It has served to promote U.S. foreign policy goals. It has bolstered our sagging farm economy by removing price depressing surplus agricultural commodities from domestic markets. It has been of general aid to the perplexing balance-of-payments problem. For these general reasons, there is no doubt that the program should be extended.

Foreign distribution programs, such as Public Law 480, are essential to the proper use of the productive ability of American farmers. It was felt by many, including the Federation, that the 1966 amendments to the Food for Peace Act would take proper advantage of this productive ability. It was our opinion that production for export under the food for peace program would no longer be limited to disposal of "surplus" but rather would be geared to the nutritional needs of recipient countries through the use of commodities determined to be available by the Secretary of Agriculture. It was felt that abandonment of the "surplus disposal" concept in the food for peace program signified the onset of an era of new hope and the prospect of prosperity for American farmers.

While this hope may have been realized insofar as some agricultural commodities are concerned, in the case of milk and dairy products, the months following the 1966 amendments witnessed a startling decline in the utilization of American dairy products in the Public Law 480 program. Apparently, the Secretary of Agriculture determined that dairy products were "not available" for, despite the abandonment of the "surplus disposal" concept, the use of dairy products in the food for peace program sagged to a level, which, in 1966, represented 0.76 percent of the total milk production. Use of dairy products in Public Law 480 during 1967 is reported to be even smaller.

The CHAIRMAN. You heard Senator Aiken's explanation of this?

Mr. NORTON. Yes, sir, we concur in that. The production of milk and dairy products in 1966 did more nearly fall into line with demand than in previous years, and stock of dairy products in the Commodity Credit Corporation inventory were at or near zero levels for butter, cheese, and nonfat dry milk. This led us to the conclusion that, despite the fact that the surplus-disposal concept was eliminated by the 1966

amendments, dairy products, at least, have been continued to be distributed on a surplus-only basis.

Consequently, the much heralded worldwide war on hunger was waged without an important weapon. Milk and dairy products are the best source of the high-quality animal protein which is essential to the diets of undernourished persons and are the most convenient food for meeting their nutritional requirements. Therefore, dairy products should unquestionably be a potent weapon in the food-for-peace arsenal. Nonetheless, this startling statistic exists and only relatively small amounts of dairy products have been utilized in the program in the last few years.

At another point in the history of the food-for-peace program, near elimination of milk and dairy products from the program would not have had such a significant effect on our domestic dairy economy. However, at the same time that utilization of milk and dairy products was at one of the lowest levels since the inception of the food-for-peace program, imports of dairy products into the United States were at record high levels. In 1966, for example, 2,775 million pounds of milk equivalent in the form of dairy products were imported into the United States. Most of these imports were in evasion of quotas established under section 22 of the Agricultural Adjustment Act of 1933. Imports during 1966 increased 229 percent over imports during the period of 1961-65.

While imports in 1966 were at alltime high levels, exports of milk and dairy products under the food-for-peace program amounted to only about 320 million pounds of milk equivalent. It is noteworthy that, in 1967, imports amounted to 2,855 million pounds of milk equivalent, a record of which American dairy farmers are not too proud.

Senator YOUNG. Are these imports of dairy commodities into the United States subsidized by the exporting countries?

Mr. NORTON. In many cases, they are, Senator Young. Some of the major dairy producing countries of the world subsidize their dairy industry, domestically, and through the use of subsidies or purchases make available on the world market at whatever price it takes to move their product. Prices for their dairy products in most cases are pre-significantly lower than our American prices.

Senator YOUNG. Isn't it true that they are also priced lower than they are sold to their own consumers?

Mr. NORTON. In many cases, this is true.

Senator YOUNG. That is the most unjust part of these increased imports.

Mr. GARSTANG. If I may, I would like to comment on that, Senator Young.

In studies in preparing our testimony before the Tariff Commission last year on this import problem, we found in many cases that the amount of the export subsidy paid by foreign dairy producing nations to their own farmers was more than double the actual price of the foreign commodity; in other words, in the case of butter, for example, the subsidy would be in excess of 50 cents. The selling price of butter for export into the United States would be less than 20 cents. There is an article on that in the current issue of Foreign Agriculture, published by the Foreign Agricultural Service of the USDA if I may comment on that. [Reads:]

France with an average domestic wholesale butter price of over 80 cents per pound [that is their local price] is reported to be delivering fresh butter to Lebanon, Beirut, at 29.5 cents per pound; storage butter is reported to be selling in Beirut as low as 13 cents a pound.

The Dutch with an average wholesale butter price [that is, the domestic price] of approximately 72 cents per pound are delivering fresh butter to Beirut for about 25 cents per pound, storage butter for about 15 cents per pound.

And we have had information in the last few days that the French are offering butter delivered in South America for around 12 or 13 cents per pound.

Mr. NORTON. For comparison purposes, our price support is 68 cents per pound, so you can see that the prices Mr. Garstang outlined are drastically below the price at which American producers can make butter available.

The CHAIRMAN. There is another idea here. If we reduce the price of our commodities, we could probably sell more to people instead of taking their soft currencies.

Mr. NORTON. That is a possibility. In fact, that is the only possibility insofar as dairy products are concerned.

Senator YOUNG. If we cannot get an effective quota on these imports, this would be one alternative.

Mr. NORTON. This would be an alternative method by which the imports—that is, the effect of the imports on our domestic market—could be diminished if a reasonable quota cannot be established.

The CHAIRMAN. The only difficulty, I presume, in handling commodities in that manner, is that, for example, in Lebanon, the 25-cent butter may be selling for about 75 cents. They have a big import duty on it. I do not know what it amounts to, but I imagine that they sell it for quite a bit more than the purchase price.

Mr. NORTON. This is true in the case of imports into the United States, Mr. Chairman. The price of the product that does come in, including the duties; that is, the landed value, is significantly below our domestic price. Despite this, the price at which it is sold is not much different at retail than the price of the domestic products. It is all profit.

Furthermore, preliminary 1967 figures indicate that relatively small amounts of nonfat dry milk and negligible levels of other dairy products have been exported under Public Law 480. Had distribution of milk and dairy products under the food-for-peace program continued at pre-1966 levels, the vast quantity of dairy products which was imported into the United States during 1966 in evasion of existing quotas would not have had such a drastic effect on the dairy farm sector of our agricultural economy.

This also leads me to the point that you brought out, Senator Young. It seems to me that it would be more worthwhile to divert products which would normally be imported into the United States into foreign aid, and Public Law 480 recipient countries, rather than bring them into the United States and further burden our dairy economy and the Federal Government with the transportation costs and so forth, that are involved.

These small amounts of dairy products were utilized under Public Law 480 despite the fact that income from dairy farming, including the sale of calves and cull dairy cattle, represents the second highest source of cash farm income to American farmers, bringing the average American farmer approximately 17 cents of his cash receipts dollar.

It would seem, therefore, that the food-for-peace program, as amended in 1966, has apparently not, insofar as milk and dairy products are concerned, been implemented as effectively as the Congress has intended. Unquestionably, the program has been operated as a surplus disposal program only.

It is our opinion that the time has come for a realistic reappraisal of the food-for-peace program from the standpoint of enlightened self-interest. I would like to add to your earlier comment, Mr. Chairman, during some of the previous testimony, that not only should food aid be geared to what other countries are willing to do, but we feel that the time has come to gear food aid to what it can do for our own agricultural economy.

One cannot question the humanitarian motives behind the objective of alleviation of starvation and hunger throughout the world. However, it seems to us that the prospect of American agriculture providing the tools for waging this worldwide war on hunger may become moot, if our farm economy continues to tread on the threshold of bankruptcy. American farmers cannot be expected to supply food and fiber to American consumers, much less the rest of the world, unless they are allowed to derive a fair return on their investment and labor.

American dairy farmers are in particular need of help, and if some of the changes which were made in the food-for-peace program by the Congress in 1966 would be properly implemented so that the surplus disposal concept is truly abandoned, the food-for-peace program could be of significant help in strengthening dairy farmers' economic position. However, to be of any meaningful benefit to dairy farmers, the food-for-peace program must be administered on a stable and dependable basis. False hopes should not be raised in the minds of American dairy farmers. If their product is to be used in the food-for-peace program, it should not be done so on a haphazard and sporadic basis. Dairy farmers must plan their production and make investments on a long-term basis and, by the same token, they are entitled to be informed of the use that will be made of their product on a long-term basis.

The Congress should, therefore, establish specific guidelines to enable the Secretary of Agriculture to determine which commodities should be used in the food-for-peace program as well as the approximate quantity of the commodity to be used. Definite quantitative requirements should be established on a long-term basis, and, as each year passes, program needs should be reevaluated and then extended, altered, or eliminated, but at least planned on a long-term basis.

The CHAIRMAN. As you know, we have this provision in the bill for self-help. If the program worked as we intended it would, it might be that within just a few years, the demands from some of these countries would be materially reduced?

Mr. NORTON. I would think, Mr. Chairman, that any results that may accrue under self-help plans would be made known to the administrators of the Public Law 480 program or would be apparent to the administrators of the program and that these factors could be taken into consideration in their reevaluation of the program requirements.

The CHAIRMAN. I know, but when you speak of long-term, I presume you mean 4 or 5 years.

Mr. NORTON. Yes, sir.

The CHAIRMAN. I do not see how this could be done, particularly when we say to a country that "the assistance we will make available to you is dependent upon how you proceed to help yourself." I do not see how that can be done. I do know this: It was my privilege to visit Pakistan and India last November and December. Great progress is being made in those countries in quite a few areas where production has increased by 40 and 50 percent. It is my hope that with added technical assistance, more fertilizers, more insecticides, and better seed, they will be able to be self-sufficient sometime soon. In fact, I hope that, anyhow.

Mr. NORTON. My point is not that these long-term plans should be irrevocable. It is not intended that the long-term requirements be fixed and totally unalterable, but that long-term requirements be estimated and announced, and then each year the tail end of the period of the program as set forth be reevaluated. The requirements as set forth could be reevaluated each year. This would provide farmers with enough advance announcement so that they could properly plan their own production. And if it appears that the results for self-help programs in particular countries, in which the requirements have been set, will be so successful that the requirements should be cut down or even eliminated, then it could be done, but it would appear to me, from my knowledge of the facts, that the results of self-help programs in countries would be known to the administrators fairly soon and they could plan, within 3 or 4 years, on this basis.

The CHAIRMAN. I think testimony given here by witnesses today and yesterday about the people doing more for themselves and the limiting of our gifts or donations and our sales is dependent upon certain things to be done by the country itself. Take, for instance, as I have said on many occasions, we have become a residual supplier for the world. They are looking to us, and what they obtain for hard currencies, they obtain from other countries. I would like our market to share in the hard currency purchases made by the countries we are helping if they do buy with hard currency from other countries.

Mr. NORTON. I think the United States is entitled to this.

The CHAIRMAN. Exactly what has happened in the past is that they use all of their hard currencies to buy all they can from other countries, and then come to us and use their own currencies to pay us off. That is why we have so much of it.

Mr. NORTON. Not only have we become a residual supplier but apparently a residual purchaser as well in many respects. And dairy is a prime example of this.

Furthermore, when requirements are established, the Secretary should proceed to fulfill them from Commodity Credit Corporation-held stocks or, if necessary, from open market purchases.

The Federation urges the Congress to direct the Secretary of Agriculture to make uncommitted stocks of dairy products held by the Commodity Credit Corporation available at world market prices for use in the food for peace program. As we mentioned earlier, it does not make sense to make products available at above world market prices because they cannot be sold. The Department of Agriculture, on January 9, 1968, announced that exporters would be entitled to purchase Commodity Credit Corporation-owned nonfat dry milk at 11 cents per pound, f.a.s. vessel, for use in title I sales under Public Law 480. This

announcement is unrealistic since ocean freight rates are at such a level that nonfat dry milk cannot be made available in most potential Public Law 480 recipient countries for less than 13 to 14 cents per pound. Inasmuch as this price is three to four cents higher than the price at which other countries can make a nonfat dry milk available, it is obvious that there will be no substantial purchases of American-produced nonfat dry milk, even under the liberal credit terms of title I.

World market prices of milk and dairy products are significantly lower than American prices. This is because of the high cost of living to which the United States is committed and to the fact that several foreign nations subsidize their own dairy industry, thus making their dairy products available for export at whatever level it takes to move them. Under these circumstances, American dairy products cannot compete in world trade unless the Department of Agriculture makes Commodity Credit Corporation-held dairy products available at world market prices. If this were done, price-depressing surpluses would be eliminated and the storage costs which must be borne by the American taxpayer would be reduced or eliminated. Furthermore, dairy products could participate on an equitable basis in Public Law 480 and in world trade.

In order to be of significant benefit to American dairy farmers, dairy products must be utilized in all phases of Public Law 480. Dairy products are easily the best suited commodity to foreign relief feeding and other similar development programs. Dairy products should be the most important ingredient in foreign school lunch and child feeding programs. The Secretary of Agriculture should, therefore, be encouraged to make proper use of milk and dairy products in the entire Public Law 480 program.

Furthermore, despite the disparity between domestic dairy prices and world market prices, it is possible for some commercial foreign markets for milk and dairy products eventually to be developed. However, in order to develop such commercial foreign markets, the Department of Agriculture must utilize dairy products under title I of Public Law 480 on a regular basis. It is of little long-term benefit to the domestic dairy industry to sporadically utilize dairy products under title I or other provisions of Public Law 480.

In addition, in order to maintain the foothold which can be gained through title I sales, it is essential that the Department of Agriculture reinstitute a program of payment-in-kind or cash subsidy so that American exporters may continue to supply at world market prices, domestic dairy products in whatever form is desired by recipient countries.

The many objectives of the food for peace program can be furthered through increased use of milk and dairy products.

In the first place, the goal of improved nutrition for undernourished persons of the world can be pursued with the most nutritious product available.

Secondly, the substantial quantities of price-depressing surplus stocks of milk and dairy products presently held by the Commodity Credit Corporation could be eliminated.

The Nation's foreign policy interests can be furthered and the balance of payments problem aided.

Finally, the domestic dairy industry can be strengthened. Many of the Nation's dairy farmers are at the crossroads of economic decision. They have been faced for many years with economic injustice and inequality. They are going out of business in wholesale lots. They are selling their farms and herds. The American farmer who supplied his own needs and the needs of his family is a milestone of historical interest only. Today's dairy farmer, like all other individuals, must purchase goods and services in the marketplace at retail prices to fulfill his everyday needs. He must buy clothing, groceries, and automobiles like everyone else, and, in addition, must also keep abreast of constantly improving farm technology, with the result that costs of production continue to rise, while the return for his efforts seems to continually decline. The farmer cannot be expected to exist under such unstable, insecure conditions. The Federal Government must recognize the plight which faces the American farmer and take affirmative steps to aid him. Coupled with the Agricultural Act of 1949, which supports the price of milk and butterfat between the levels of 75 to 90 percent of parity, the Agriculture Marketing Agreement Act of 1937, which provides the mechanism under which the Federal milk marketing order program operates, and properly geared domestic programs, if properly administered Public Law 480 can provide a solution to this problem and can assure dairy farmers a fair return on their investment and labor.

The CHAIRMAN. That is a very fine statement.

Are there any questions?

Senator YOUNG. I was going to say the same thing.

You do the same effective job as our good friend, Pat Healey, and your father, Mike Norton, who also represent the National Milk Producers Federation.

Mr. NORTON. Thank you, Mr. Chairman.

The CHAIRMAN. All right, Mr. Hofer, identify yourself for the record, and give your full name.

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

Mr. HOFER. Mr. Chairman and members of the committee, I am Glen Hofer, executive vice president of the National Association of Wheatgrowers. Our association, in annual convention at Wichita, Kans., recently voted unanimously for the extension of Public Law 480. Two wheat-producer-market promotion groups—Great Plains Wheat and Western Wheat Associates—have endorsed our association's resolution. That resolution reads, in part:

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

Now, therefore, be it resolved that the National Association of Wheat Growers strongly supports the extension of the Food for Freedom program and the annual appropriation required to finance the various titles of this law; and that:

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

Congress continue to make funds available for market development programs; Increased emphasis be given in Title II to "Payment of Wages with Wheat and Wheat Products" when need and opportunity exists;

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

Funds generated by P.L. 480 be used to the maximum extent possible to construct port storage and handling facilities for wheat and wheat products.

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

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

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

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

We think those figures are significant, and we believe market impetus gained for U.S. agricultural products by Public Law 480 will continue to increase markedly. A quick look at the progress made in two countries in developing dollar wheat markets to replace Public Law 480 shipments gives an insight into some of the potential benefits inherent in extending the program.

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

The following table shows that U.S. wheat exports to South Korea were only 381,000 tons in 1959-60 and that less than 10 percent of that quantity—32,000 tons—were for cash. Last year U.S. wheat exports had more than doubled—to 778,000 tons—while cash sales, including barter, had increased more than 10 times to 384,000 tons.

I might interject that the United States is furnishing 90 to 95 percent of that cash market.

(The table referred to follows:)

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

[1,000 m/t wheat equivalent]

	Specific program						
	Title I	Title II	Title III (416)	Barter	Total program	Total cash	Total imports
1959-60.....	270.0	16.3	61.7	-----	348.0	32.6	380.9
1960-61.....	258.7	60.3	38.8	-----	357.8	4.2	362.0
1961-62.....	287.3	21.0	28.7	-----	337.0	25.9	362.9
1962-63.....	592.5	-----	28.7	-----	621.2	46.0	667.2
1963-64.....	509.3	77.0	39.2	7.0	632.5	78.3	710.8
1964-65.....	399.5	65.8	32.2	-----	497.5	17.2	514.7
1965-66.....	239.4	139.1	35.4	-----	413.9	26.5	440.4
1966-67.....	151.3	207.4	34.8	194.5	588.0	190.3	778.3

Note: Sec. 416 includes bulgur.

Mr. HOFFER. Unofficial estimates for this year are placing total imports by South Korea at over 1 million tons, and this amount could triple within 5 years.

Brazil furnishes us with another example of a swiftly changing wheat market. In 1964, Brazil received 1.46 million metric tons of wheat under Public Law 480 as compared to 228,000 tons for dollars. In 1967, Public Law 480 wheat shipments of 475,000 tons were only one third of the 1964 level while dollar sales, including barter, more than tripled to 781,000 tons.

Those two markets are only examples from a long list of very promising commercial prospects, which include Taiwan, Israel, the Philippines, and Yugoslavia.

Of course, the emergence of these erstwhile concessional wheat markets as bona fide cash customers for wheat sets off a scramble among the rest of our competitor exporters. In most instances, however, the headstart afforded by the experience with Public Law 480 wheat gives the United States some built-in advantages. Purchasers and technicians are familiar with classes and qualities of available U.S. wheats. Promotional and sales personnel from the United States are acquainted with their counterparts in the market country. In many cases, but not always, there is a loyalty or feeling of moral obligation in the countries receiving Public Law 480 shipments which becomes apparent when they shift to cash buying. This is not to say that normal market factors such as price, credit, and reciprocal trade won't prevail eventually, but the initial advantage is to us.

In summary, the National Association of Wheat Growers strongly supports an extension of Public Law 480. Great Plains Wheat and Western Wheat Associates also strongly support extension so that their highly successful oversea efforts to increase U.S. wheat exports may be continued in the future.

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

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

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

We know its continuation is vital to our industry.

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

The CHAIRMAN. Thank you.

Are there any questions?

Senator YOUNG. I note that in your statement you state that when a country becomes accustomed to using our wheat through Public Law 480 that this is a great advantage in later making dollar sales.

Mr. HOFER. It has proved to be, I think very naturally. If they become used to our wheat in their grinds and the bakers become accustomed to the qualities that our wheat has, that the buyers know what quantities are available to the use of Public Law 480, then when they are buying for cash they are familiar with it, and if our people have done a good job in promoting and selling wheat they will come to us for cash sales quite often.

Senator YOUNG. Public Law 480 has been of great benefit to the wheat growers.

Mr. HOFER. It certainly has.

Senator YOUNG. Our exports of wheat are about three times what they used to be only 15 years ago.

Mr. HOFER. That is right.

Senator YOUNG. Much of this expansion is due to Public Law 480.

Mr. HOFER. Yes. I might say one more thing. We do not have any specific suggestions for any amendments, or things like that, but we do have an interest in a feasibility study that is being made by Mr. Lewis, which you will hear about in subsequent testimony. I just wanted to tell you that the wheat growers next week, when 80 of our leaders will be in town, will take a very close look at Mr. Lewis' suggestions, and if this committee would like, we would pass on the judgment we make at that time.

The CHAIRMAN. We will expect to conclude the hearings tomorrow and report the bill back to the Senate as soon as possible. It expires soon, as you know. We do not want to leave this for the last minute. Thank you.

Our next witness is Mr. Lewis.

Please identify yourself for the record and give us your full name.

STATEMENT OF ROBERT G. LEWIS

Mr. LEWIS. Mr. Chairman and members of the committee, I am Robert G. Lewis. Since 1961 I have held various positions in the Department of Agriculture relating to farm programs, international trade, and economic development. Recently I completed a special consulting assignment with the Agency for International Development in which I studied food and agricultural problems at first hand in India. I am now a consultant on these subjects in private practice in Washington.

I have a proposal to suggest today which, I believe, would make it possible for the United States to make significant and simultaneous progress against four major goals of national policy. In short, I believe it would be possible for the United States:

1. To increase its shipments of needed farm commodities under the "Food for Peace" program;
2. Thereby to strengthen the demand for and prices of farm commodities;
3. Without increasing the overall net costs to the Government; and
4. With the realization of some immediate hard-currency return on additional sales of farm commodities, thus improving the balance of payments of the United States.

I am now engaged in a study of the food-for-peace program. I have been commissioned jointly by a group of farm organizations, commodity producers' associations, and farm commodity trading firms, to seek to develop proposals through which the use of farm commodities as food for peace can be increased. My study is not yet complete, and I have not made my report to my clients. Therefore, I do not purport to speak for nor to represent anyone but myself in offering this proposal.

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

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

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

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

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

The whole Nation's interest in human compassion, and in world economic and social development, is damaged by the cost barrier against making greater use of food for peace. Although the farmers' interests are specific and more direct, their stake merely parallels that of the general public.

Recent experience has shown how this cost barrier reduces the scale of food-for-peace shipments, with the parallel result of price and income disadvantages to U.S. farmers. The cost barrier is probably the central reason that the slump in farm prices in late 1966 and in 1967 was not reversed by shipping greater quantities of food to hunger areas. More food was needed, and more was wanted, and more would have been used constructively. There was famine in the world for the first time since World War II, threatening millions of human lives in India. But the unexpectedly large grain supplies were permitted to

burden the commodity markets, thus depressing farmers' prices and incomes in the face of vast unmet real needs for food.

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

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

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

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

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

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

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

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

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

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

The United States is a great trading nation. Surely it is not beyond American ingenuity to devise ways by which food can be sold in a hungry world when its cost can be as little as 40 cents or less for a dollar's worth.

The proposal is that a new type of transaction be authorized under title I of Public Law 480 through which:

A. The local currency proceeds from sales of farm commodities would be sold by the U.S. Government, at competitive rates, to private individuals or firms, for restricted uses within the importing country.

The CHAIRMAN. Native people?

Mr. LEWIS. To private individuals, whether natives of the country or foreigners; Americans, Englishmen, Dutchmen, or anybody.

The CHAIRMAN. But those sales would be made at the current rates?

Mr. LEWIS. I propose that the sales be made just as a title I soft currency sale is now made, and that the soft currencies realized from the sale could be sold at a discount to private investors and other individuals who wished to use it for specified purposes within the host country.

The CHAIRMAN. And sold for what?

Mr. LEWIS. For hard currencies—dollars, francs, marks, pounds—whatever.

The CHAIRMAN. If I understand your proposal, it would lead to a full production of all of the acreage we have available in this country?

Mr. LEWIS. I believe, sir, that eventually it could.

The CHAIRMAN. Is that right?

Mr. LEWIS. I do not advocate that the supply-management programs be eliminated, except insofar as additional demand can be generated to develop uses for the food.

The CHAIRMAN. But your proposal, as I understand it, from the few sentences you have uttered just now, is that, instead of paying to keep land out of cultivation, your idea is to let the land be cultivated and that cost, of course, is actually assumed by the Government.

Mr. LEWIS. Yes.

The CHAIRMAN. Because it is paid, in any event.

Mr. LEWIS. Yes.

The CHAIRMAN. And then the additional incentive to produce, that production would be sold at a big discount?

Mr. LEWIS. In order to emphasize the interests of the farmers in this program, I would propose that it be explained from the other direction; first, demand should be expanded by selling larger quantities for the soft currencies which, in turn, would be discounted and sold at a discount.

The CHAIRMAN. You would have to assume that you would have a sale—and you have got to assume that the host country would agree to that.

Mr. LEWIS. Well, let us look at the 1966–67 situation as an illustration.

In the 1966–67 marketing year, there were quantities of grain in the U.S. market that depressed the farmers' prices. Farm prices went down significantly, because of the unexpected large crop in the world and in the United States. I would say that the proposed authority would have enabled the U.S. Government to have sold larger quantities of the grain that was available in 1967 for soft currencies, knowing that it could make enough off of the soft currencies at a discount to more than offset the cost of the grain that would have to be produced the following year.

The CHAIRMAN. Cost to whom?

Mr. LEWIS. The cost to the U.S. Government.

It now costs the U.S. Government at least 60 percent of the cost of shipping "food for peace" to pay the farmers for not producing the equivalent amount of the commodity. If we can realize 40 cents or more on a dollar's worth of the soft currency sales, then Uncle Sam breaks even or does better.

The CHAIRMAN. Of course, you will have to pay the 60 cents, you will have to continue to pay it on all of the land not in cultivation, or even in cultivation.

Mr. LEWIS. Yes. I believe, Senator, that it would be possible to realize more than 40 percent on the soft currencies, if not immediately, then after economic development begins to accelerate in the less developed countries, and so on.

The CHAIRMAN. I certainly feel it is apparent, from what you are proposing there, that the agreement would have to provide in white and black that we can dispose of the currency so as to attain the goal that you are speaking of.

Mr. LEWIS. As I will describe further on, I provide for exactly that.

B. The purposes for which the use of such currencies would be permitted would be specified in the sales agreement between the governments of the importing country and the United States. The general objective would be to avoid disruptive effects upon the economy of the importing country, and to avoid interference with usual marketing of farm commodities within the importing country by the United States and other exporters.

C. As a general rule, the uses which would be permitted would be those which would result in substantial increases in employment in the importing countries. New consumer buying power that is generated by creating jobs for the unemployed and underemployed in poor countries is used primarily to buy food, and a little clothing. This

increased demand for food would be offset directly by the food imported, so that the overall economic impact would be noninflationary.

D. The agreed purposes would stress also economic development, capital formation, and export development, thus contributing directly to the longrun ability of the country's economy to pay for its imports on fully commercial terms.

At present, title I of Public Law 480 authorizes sales of farm commodities for local currencies, but such currencies cannot be resold to private individuals or firms. It also authorizes sales on long-term credit with provision for repayment in dollars over long-term periods.

The CHAIRMAN. There is no limitation to the Cooley loan, is there? Why could not that be used?

Mr. LEWIS. It can be used, sir, and it goes part of the way, but experience has been that the discount in effect is not large enough to attract private investors to the degree that I think would be desirable, and to the degree that we can afford. We can afford a larger discount, up to a 60-percent discount on these soft currencies, and still have the U.S. Government come out ahead.

The CHAIRMAN. And when you say "discount"—let us say, in the case of India, for example—we have 12 rupees per dollar—

Mr. LEWIS. I believe it is about $7\frac{1}{2}$.

The CHAIRMAN. I am assuming 12 as an easy figure.

Mr. LEWIS. Yes.

The CHAIRMAN. Twelve rupees per dollar. Now, when you speak of a discount, if I am a man who wants to go into business there—if I am an Englishman or a Frenchman or an American who wants to get these funds that we own—when you speak of discount, you will sell them at less than the current rate of rupees per dollar?

Mr. LEWIS. Yes, at less.

The CHAIRMAN. Do you think that the host country would agree to that?

Mr. LEWIS. I think it would be a problem, but I would like to deal with that later.

The CHAIRMAN. I think that is an insurmountable problem—an insurmountable problem—and I will repeat it—an insurmountable problem, because of my experience there.

Mr. LEWIS. I believe it can be surmounted, and I would like to describe the terms on which I think it can be.

The CHAIRMAN. Before you end your testimony, I would like to know how it would be under these contracts. These people are hard bargainers. They will take your eyeballs out if they can.

Mr. LEWIS. Well, sir, I think that we need to be harder bargainers than we have been, and I propose—

The CHAIRMAN. I agree with that.

Mr. LEWIS (continuing). That this program would give us a mechanism for making sales and for driving harder bargains, which would be better for both parties.

Unlike either of the present methods of title I sales, this proposal would enable the U.S. Government to realize some immediate return in dollars or other hard currencies on concessional sales of surplus commodities.

This would improve the balance-of-payments situation of the United States to the extent that the local currencies that were offered for sale would be purchased by investors from other countries.

Moreover it would enable American citizens to make investments in developing countries without affecting the U.S. balance of payments adversely.

The need to increase employment is of such critical importance in most of the less developed countries that it deserves the principal emphasis in our international economic policies.

Providing jobs for their enormous and swiftly growing populations is the most immediate and most urgent problem of the underdeveloped countries.

In many of the populous less developed countries today, as many as one-half or more of the working-age population have no jobs, or are so severely underemployed that they produce and earn almost nothing of value.

These huge hungry populations of unproductive, illiterate people often are regarded by the rest of us as a burdensome surplus. This all-too-common fault is the twin brother of another familiar failing, which judges our real and potential abundance of food in this hungry world to be also a burdensome surplus.

The truth is that this vast human resource, now mainly wasted, affords the greatest realizable opportunity that exists in the underdeveloped countries. There is in all of these countries a tremendous need for the kind of work that unskilled common labor can do—construction of elementary public capital of all kinds: Waterworks for irrigation, household use, and industry; sanitation facilities; roads and bridges and culverts; school buildings, and so on. All of these facilities can be constructed by labor-intensive methods, using materials that are available locally and at low cost in most areas.

And the people are willing to work, for wages barely high enough to enable them to buy enough to eat and to feed their families and a little clothing to wear.

The CHAIRMAN. In order to be able to attain this that you are speaking of now, where does the host country get the money?

Mr. LEWIS. The importing country?

The CHAIRMAN. Yes, sir, the host country. That is what I am talking about. In other words, what you are trying to do now is to sell what we get at a big discount.

Mr. LEWIS. Yes.

The CHAIRMAN. And thus obtain the consent, of course, of the host country. And then in the next breath you say that the host country could construct the sewage, they could construct this, that, and the other thing. The question is: Where would they get the money to do that with?

Mr. LEWIS. I propose, sir, that they get the money this way:

We will use, say, India as an illustration, where I have been and you have been and where the biggest single problem exists. I would propose that we would ship additional quantities, say, of wheat to India and sell it for rupees, and then we would sell those rupees at a discount to private investors, Indians, Americans, or Europeans, or anyone else who wants to buy them, allowing them to use those rupees for the purchase of municipal bonds which are issued to finance the public works activities. That is where India would get the money.

The CHAIRMAN. That would be rupees?

Mr. LEWIS. The bonds would be paid off on a long period of time to private investors.

The CHAIRMAN. In rupees?

Mr. LEWIS. In rupees, yes, sir.

The CHAIRMAN. That is another big hurdle.

Mr. LEWIS. It is a big hurdle.

The CHAIRMAN. You now have two big insurmountable hurdles, in my opinion.

The capability of the host country—I am just taking the negative on your proposition without studying it—you understand, just in trying to draw you out?

I have been in that country, and I know what the problems are, I think.

Mr. LEWIS. I understand, sir, what you are driving at, and I welcome the opportunity. My point is that we can afford to sell bonds to finance public works at a discount of up to 60 percent or more, and Uncle Sam can break even or do better.

The CHAIRMAN. I do not quite understand this. This would mean that the cost of your program, as I envision it, would not decrease?

Mr. LEWIS. It would not decrease immediately, that is true.

The CHAIRMAN. Is that correct? So we would be saddled with a program that might cost the Government anywhere from \$3 to \$4 billion a year.

Mr. LEWIS. I am comparing it to the present program that we now have.

The CHAIRMAN. We want to try to taper this off. We do not want to be spending \$3 or \$4 billion a year to serve India, or to serve anybody else. We have got to look to our own economy.

Mr. LEWIS. I believe that this proposal will enable us to expand permanent demand continuously, on an improving basis, and eventually on full commercial terms, for our agricultural commodities.

The CHAIRMAN. Yes; if you take the purchase price back in soft currencies and then discount them, I agree to that, that you could do it. But the program would cost, in my opinion, much more than that which you have contemplated.

Mr. LEWIS. No, sir; I do not think that it needs to cost more than the existing package of programs that we have. If we assume that that is what we are obligated to do now, then I think that we can make an improvement through this proposal which will improve the economies of the developing countries and do it in such a way that their commercial purchases can be increased.

Their hunger is the true barrier against productivity and progress. There are hundreds of millions of working-age men and women in the world who do not get enough to eat to enable them to work effectively or to think creatively. The visitor to India or Pakistan can see them everywhere, squatting in the dust of the city streets as they ply their pitiful and unremunerative retail trades, or plodding in their fields almost as thoughtlessly and unimaginatively as their bullocks and buffaloes. It is not unfair to say there are hundreds of millions of people who live at a subanimal level as compared to the livestock, say, in North Dakota, or Iowa, or Louisiana.

The CHAIRMAN. Off the record.

(Discussion was had outside the record.)

Mr. LEWIS. Malnutrition dulls their wits and stifles their initiative, enterprise, and invention. In the best of seasons they earn barely enough to sustain life at an animal level. And they are producing a new

generation of human beings who are stunted physically and retarded mentally by malnutrition, who are alienated socially and politically and psychologically from the hopes of the human race.

Shortage of food is the real barrier, also, that prohibits their governments from employing them in public works projects to construct the public capital—the roads, bridges, waterworks, schoolhouses, and so on—that would provide the needed basis for their countries' economic development. There simply isn't enough food in these countries to meet the demand that would result if large numbers of additional people were put to work. To put it bluntly, the shortage of food forces economic planners to choose, by default or by neglect if not by design, to leave millions of their people in idleness and low-level activity because they will not eat as much that way as if they had real jobs at hard labor.

I suggest that this amendment be called the food-for-work amendment. It would bring together the world's two great surpluses—of hungry people, and of unmarketable farm commodities—to generate productive human work. And it is human work and its products that are the true key to economic development, to progress, even to peace on earth.

This food-for-work amendment would give to the administrators of U.S. Government programs both a mandate, and a license, to engage in more aggressive efforts to sell American farm products. It would provide a kind of reciprocal bargain-sale trading scheme, in which we could exchange our surplus food for whatever of the most value we could realize from the products of the less developed countries' surplus of hungry, unskilled people.

Partly because of tariffs and other barriers to trade, the underdeveloped countries can't put their unemployed and underemployed people to work to earn enough to pay us the full price for our extra food and fiber, notwithstanding the urgency of their need. But possibly they can earn enough to pay something—perhaps enough to bridge the gap between what we would have to pay our farmers for producing less next year, and what it would cost us to ship them the extra food and fiber this year. Perhaps they might be able—after a while if not immediately—to pay even more than the break-even difference in costs.

The United States cannot sell its surplus food and fiber at the full price. But our country needs to get only 40 cents at the most on the dollar's worth in order to break even as compared to our present cost obligations.

If, for example, American investors—or Frenchmen or Germans or Englishmen or anyone else—can be persuaded to pay only as little as 40 percent, at the most, of a face value of local government bonds for financing public works projects in the developing countries, then the U.S. Government could furnish surplus food and fiber to make such projects possible, without adding to its regular budget costs. And the hard currency realized by the United States through sale of the bonds—or of the local currencies that would be used to buy the bonds—would directly improve our balance of payments.

THE CHAIRMAN. At that point, what is the difference between the method that we have employed in the past in the administration of our program, where we are selling food in abundance to India and we say

to India, "We will take your rupees and then loan them back to you at three-quarters of 1 percent over 40 years"? What better advantage could a few people have who buy those rupees in India, to do what we are doing now?

Mr. LEWIS. The main advantage would be that the private investors could pay us in hard currency so that we could realize an immediate hard currency return on them.

The CHAIRMAN. Where would they get the hard currency from?

Mr. LEWIS. They would get it from France, or England, or Germany, for example.

The CHAIRMAN. How could they pay for the hard currency back with rupees?

You sell rupees to them.

Mr. LEWIS. There are foreigners who are now making hard-currency investments in India, not nearly as much as needed, but some are being made. I am proposing that a way be found whereby—

The CHAIRMAN. Of course, we have that already by selling those rupees at a 40 percent discount; is that it?

Mr. LEWIS. At a discount of up to 60 percent, but at no greater discount than needed in order to sell them.

The CHAIRMAN. In other words, let us say, to use a figure now of 12 rupees per dollar, that that is a going rate, let us assume, in India—it is not, but let us assume that it is. Your idea would be to get the Indian Government to agree to sell these rupees, not at 12 rupees per dollar but for more than that for a dollar?

Mr. LEWIS. To sell more rupees per dollar, yes, sir.

The CHAIRMAN. That is what you suggest?

Mr. LEWIS. 15 or 20 rupees for a dollar—but only for limited purposes which would be in the interest of the country, and which could be managed so as not to be inflationary, and so as not to disrupt the value of rupees for other purposes.

The CHAIRMAN. Thank you. Proceed.

Mr. LEWIS. Whatever private investors would be willing to pay above the 40 percent-or-less break-even point would enable the United States Government to cut its regular budget costs and to improve the balance of payments all the more.

The exchange of "food for work" under this proposal should be conducted for the most part within regular commercial marketing channels. It should be a goal of American economic development policy to promote the development and strengthening of commercial market systems in the developing countries, and this proposal can make an important contribution to doing so. The local currencies that are paid to the U.S. Government for food should be sold to someone who will use them to pay wages, mainly to unskilled laborers, who would spend their earnings in the marketplace primarily for the purchase of food and clothing. In India, according to United Nations studies, families whose earnings are at the "common labor" level spend 90 percent of their incomes for food, with much of the remaining 10 percent spent for clothing.

Here are some illustrations of the kinds of uses that should be permitted of the local currencies to be sold to private investors at competitive rates:

1. For the purchase of bonds issued by the municipal or other governmental units of the importing country for financing labor-intensive public works, including basic public capital such as roads, water and sanitation facilities, school buildings, and the like.

2. For specified types of business investment within the importing country, particularly such as would result in generating maximum employment of labor in the construction or operation or both of new facilities. As a usual rule, investments of local currencies purchased under the proposed program would need to be accompanied with some dollar or other hard-currency investment as well.

The CHAIRMAN. Who would put that up?

Mr. LEWIS. The private investor.

The CHAIRMAN. I am just wondering where you are going to get all of that. And all of that, you say, would be repaid to him in rupees. I just cannot follow that. I just cannot see people being that foolish.

Mr. LEWIS. At the present time, investors—that is, private investors—Europeans and Americans—are investing hard currencies to buy rupees in order to hire labor and to buy materials, many of them imported, to build factories, and so forth.

The CHAIRMAN. You do know why, do you not?

Mr. LEWIS. To some extent they get assistance from AID, but there is considerable private investment as well.

The CHAIRMAN. Yes, and because of another point: that the Government insists on these rupees being purchased from it in order to pay labor.

Mr. LEWIS. Yes, sir.

The CHAIRMAN. And you do not buy rupees at any less than what they are issued for to anybody else. Do you?

Mr. LEWIS. No, sir.

The CHAIRMAN. Of course, you do not.

Mr. LEWIS. But here is a way whereby you can get additional employment beyond what would be possible at the official rate of exchange, and thereby generate additional demand and consumption.

The CHAIRMAN. Well, my dear sir, we now have in India at the moment, as I recall—

Mr. LEWIS. It is close to a billion dollars worth of rupees.

The CHAIRMAN. Close to a billion dollars worth of rupees which could be converted the way you say, and we cannot even do that, because the local government will not permit it.

Mr. LEWIS. I think that there is a very fundamental difference. The food that was sold, which generated those rupees now in the United States Government's account in India, has already been consumed. If that money were returned to circulation, it would be purely inflationary. But what I propose is that additional food be supplied, and that the proceeds of the sales of that food be used to employ labor to create additional demand simultaneously. Now, here are some more illustrations of how the currencies that would be sold could be used:

3. For the purchase of specified labor-intensive goods for export to the United States and other markets.

4. For use by tourists for purchases of goods and services in the importing country in addition to the amounts they normally would spend.

5. For use by students from the United States to cover all or part of their room and board and other consumption expenses while attending colleges or universities or engaging in research work in the importing country.

The CHAIRMAN. That is one of my amendments.

Mr. LEWIS. Yes.

It needs to be stressed that the new method proposed here for selling food and fiber under Public Law 480 is by no means claimed to be a substitute for other farm adjustment and foreign aid programs, nor even for the present sales methods authorized in title I.

This is merely an extra tool—a tool that shows much promise for contributing to the tasks of feeding the hungry, and of stabilizing and improving the American agricultural economy. A general framework of farm adjustment programs will be needed for some time to come.

Nevertheless, the only real hope there is on earth for the farmers of America to escape from the price-depressing burdens of surplus agricultural production capacity is for the enormous and swiftly growing populations of the less developed countries to get jobs and buying power.

Shifting the farm surplus from the commodity warehouses, where it was visible during the 1950's, back into vast acreages withheld from active production, does not escape its depressing burden upon farmers' prices.

The experiences of 1966 and 1967 proved that. The surplus above ground was gone. But the surplus below ground squelched the farmers' hopes for prosperity.

This "food for work" proposal will, in the short run, remove the cost barrier against action to expand farm commodity exports when short-run supplies become a depressing burden on prices. In the long run, it will promote economic development and buying power for food and fiber, while enabling suppliers of American farm products to get in on the ground floor in the growing new markets.

This special interest of America's farmers coincides with the national interest of the United States. As the world's greatest food and fiber exporting nation, the United States has no economic goal that is more vital than to promote the creation of jobs for the enormous and swiftly growing populations of the less developed countries, thus expanding their ability to pay for the food they need.

It is only fair to say that there is likely to be resistance to the proposed "food for work" transactions from some of the less developed country governments.

Unfortunately, not all governments place high premiums upon providing jobs—or even food—for their poor citizens. Not all governments truly sympathize with the goal of economic development and progress for their people.

Some governments would prefer to go on as they have in the past, selling into their domestic markets the food and fiber that is imported under title I, and using the proceeds for meeting regular expenses of their governments, instead of raising the needed revenues through taxes. Objections on such grounds should be accepted only rarely, if ever, by the U.S. negotiators.

Some developing country governments might balk at allowing their currencies to be sold at a discount even for strictly limited purposes that would not undermine the value of their currency for normal trade.

U.S. negotiators, in such situations, should apply their best talents as salesmen to persuade the potential buyer of the benefits that such transactions would accord to the country and its people.

There may be some misapprehensions about additional imports of food for work on the part of local farmers, or the governments of other farm-commodity-exporting countries. However, the fact is that the proposed food-for-work transactions would result in no real disadvantage to other farmers, because these transactions would create directly the additional demand for food and fiber that would absorb the added supply. The proposed food-for-work transactions, in fact, would be considerably easier to defend from criticism on such grounds than the present food-for-peace operations.

To summarize, this proposal would make it possible for the United States to ship larger quantities of food for peace without increasing the overall costs to the Government.

This would achieve these outstanding advantages:

The U.S. balance of payments would be better off, because some immediate return in dollars and other hard currencies could be realized from title I sales of American farm commodities.

U.S. taxpayers would be better off, because smaller government expenditures would be sufficient to maintain a given level of protection and support of farm prices and incomes.

U.S. farmers would be better off, because, at a given level of Government expenditures, the demand for farm commodities could be increased, and farm prices and farmers' incomes would be strengthened accordingly.

U.S. farmers would be better off, also, because the proposed program would help to build permanent commercial markets for American farm products. If American farm products are kept out of these developing markets through the operation of diversion programs, market development will proceed much more slowly, and farmers in other countries will enjoy a headstart in serving them.

The Government payments to farmers for diverting cropland from production are substitute income, which merely replaces, in whole or in part, the income that the farmer would earn from the land taken out of production if instead he were to grow and to market a crop.

The hungry countries would be better off, because they could obtain additional quantities of needed food, thus making it possible for their now undernourished citizens to work productively, and to prevent the physical and mental retardation of their children that is now being caused by malnutrition.

The farmers of the hungry importing countries, and of other food- and fiber-exporting countries, would be better off, because the program would insure that there would be an immediate increase in food and fiber consumption to offset the increase in food and fiber imports, thus protecting normal markets and price levels while reducing the world surplus.

The whole world would be better off, because total world consumption of food and fiber would be increased, thus improving the level of human physical and mental health and well-being, and increasing the amount of productive work done to promote economic development. This alone can lead to real ability to pay on commercial terms for future food and clothing and other needs.

(The attachments to Mr. Lewis' prepared statement are as follows:)

10-YEAR CHANGES IN TOTAL AND HUNGRY POPULATIONS

[Population in millions]

Region	July 1955	July 1966	Increase	
			Number	Percent
Less developed world:				
Latin America.....	187	253	66	35
All Asia, less Japan and mainland China.....	824	1,059	235	28
Mainland China ¹	602	710	108	18
Africa.....	248	318	70	28
Total, less developed regions.....	1,861	2,340	479	26
Total, less developed regions excluding mainland China.....	1,259	1,630	371	30
Estimated number of persons hungry (not sufficient food quantity), excluding mainland China.....	252	326	74	30
Estimated number of persons malnourished (not adequate food quality), excluding mainland China.....	755	978	223	30
Economically developed world:				
North America (United States, Canada).....	184	217	33	18
Europe.....	407	449	42	10
U.S.S.R.....	198	233	35	17
Japan.....	89	99	11	9
Oceania.....	14	18	4	28
Total, developed regions.....	892	1,016	124	13
World totals:				
Population.....	2,753	3,356	603	22
Estimated number of persons hungry (not sufficient food quantity).....	413	503	90	22
Estimated number of persons malnourished (not adequate food quality).....	1,300	1,600	300	22

Sources: Population Reference Bureau, Washington, D.C., and The World Food Problem, Report of the President's Science Advisory Committee, vol. II, The White House, May 1967. (Estimates of hunger and malnourishment, based on the latter, are imprecise.)

¹ Population data for mainland China are from official United Nations sources. Unofficial estimates for 1966 range from 700,000,000 to 950,000,000.

ADEQUACY OF NUTRITION BY LEVELS OF INCOME, RURAL SOUTH INDIA, 1958

Item	(A)		(B)		(C)	
	Status of 77 percent of rural south India	Approximate level of income of common laborers in public works	Other			
Per capita expenditures for food per month	Rs 0 to Rs 8 (0 to \$1.06)	Rs 8 to Rs 11 (\$1.06 to \$1.46)	Rs 24 to Rs 34 (\$3.19 to \$4.52)			
Calories consumed per capita per day	1,120	1,560	2,530			
Daily per capita reference standard, calories	2,300	2,300	2,300			
Protein consumed per capita per day (grams)	31	45	72			
Daily per capita reference standard, protein (grams)	60	60	60			
Per capita consumption as percent of daily per capita reference standard:						
Calories	48 percent	68 percent	110 percent			
Protein	51 percent	75 percent	120 percent			
Family (6 persons) expenditures for food, per month	Rs 0 to Rs 48 (0 to \$6.38)	Rs 48 to Rs 66 (\$6.38 to \$8.78)	Rs 144 to Rs 204 (\$19.14 to \$27.12)			
Total family (6 persons) income per month, assuming 90 percent used for food at incomes under Rs 100 per month	Rs 0 to Rs 53 (0 to \$7.05)	Rs 53 to Rs 73 (\$7.05 to \$9.71)	Rs 160 or more (\$21.28 or more)			
Increase in calories consumed above lowest income level (col. A)		39 percent	126 percent			
Increase in protein consumed above lowest income level (col. A)		45 percent	132 percent			

Sources: "The World Food Problem", vol. II, report of Panel on the World Food Supply, President's Science Advisory Committee, the White House, May 1967, pp. 43-44. "World Food Budget, 1970," Economic Research Service, U.S. Department of Agriculture, October 1964.

**COSTS TO U.S. GOVERNMENT OF PAYMENTS TO FARMERS FOR WITHHOLDING CROPLAND FROM PRODUCTION
COMPARED TO EXPORTING EQUIVALENT QUANTITIES OF WHEAT OR FEED GRAINS UNDER TITLE I, PUBLIC
LAW 480, 1962-66**

	1962	1963	1964	1965	1966
Total acres diverted under Government programs (millions).....	64.8	55.7	54.9	55.9	62.5
Total payments to farmers on condition of diverting cropland from production, excluding wheat certificates (millions).....	\$1,440	\$1,382	\$1,541	\$1,638	\$2,341
Total cost to U.S. Government to export wheat under title I, Public Law 480 (dollars per metric ton) ¹	\$83.38	\$88.89	\$86.69	\$73.84	\$76.65
Production of wheat on all diverted acres, assuming yields of ¾ national average (million metric tons).....	29.5	25.5	26.2	27.3	29.8
Cost of payments for diversion, per metric ton of assumed pro- duction of wheat.....	\$48.81	\$54.19	\$58.82	\$60.00	\$78.56
Cost of payments for diversion as percent of cost to export wheat.....	59	61	68	81	102
Total cost to U.S. Government to export feed grains at ratio of 2 corn to 1 sorghum under title I, Public Law 480 (dollars per metric ton).....	\$49.51	\$50.70	\$52.68	\$54.20	\$54.09
Production of feed grains on all diverted acres, assuming ¾ national average yields of grain crop diverted or of most productive grain alternative (million metric tons).....	47.9	42.5	42.9	51.4	56.8
Cost of payments for diversion per metric ton of assumed production of feed grains.....	\$30.06	\$32.52	\$35.92	\$31.87	\$41.21
Cost of payments for diversion as percent of cost to export feed grains.....	61	64	68	59	76

¹ Export prices f.o.b. gulf ports, No. 2 HW (ORD) wheat, "1967 World Wheat Statistics," and "Review of the World Wheat Situation, 1966-67," International Wheat Council, London, plus export payment, as reported by USDA.

Source: U.S. Department of Agriculture data.

**OPERATING RESULTS OF GOVERNMENT-FINANCED FARM COMMODITY EXPORTS AND ACREAGE DIVERSION
PROGRAMS, 1955-68**

Year	Acres idled by farmers as basis for Government payments (millions)	Estimated yield of grain from idled acres if grown and har- vested (million metric tons) ¹	Market value at farm if crop of grain had been har- vested from idled acres (millions) ²	Payments to farmers agreeing to not produce crops on idled acres (millions) ³	Value of U.S. farm commodity exports under Government- financed pro- grams, fiscal year ending June 30 ⁴
1955.....					\$835
1956.....	13.6	8.0	\$405	\$261	1,339
1957.....	27.8	15.0	654	654	1,919
1958.....	27.1	19.6	864	810	1,209
1959.....	22.4	11.3	464	324	1,227
1960.....	28.7	15.9	625	367	1,283
1961.....	53.7	41.4	1,762	1,104	1,503
1962.....	64.7	48.5	2,101	1,440	1,570
1963.....	55.7	42.5	1,825	1,382	1,480
1964.....	54.9	42.0	1,901	1,541	1,518
1965.....	55.9	52.0	2,230	1,638	1,697
1966.....	62.5	56.6	2,785	2,341	1,616
1967.....	39.9	39.4	1,661	2,001	1,578
1968 ⁵	55.8	59.5	2,977	2,231	* 1,499
Total ⁷	560.8	451.7	20,254	16,094	* 20,273

¹ Computed at ¾ of U.S. average yields per acre during year of each crop to which reductions in acreage harvested are attributed, and of projected yield for 1968. An equivalent based on average yields of corn during years is shown for acreage diverted from cotton; and an equivalent based on average yields of oats during year is shown for "other cropland" diverted primarily from tame hay, and some soybeans, flaxseed, dry edible beans, rice, and tobacco.

² Estimated yield times U.S. average price per ton received by farmers for corn at the farm during the year, and projected price for 1968 equal to actual prices received by farmers for corn in 1966. Prices of the various grains, including the price of wheat less certificates, usually average close to the price per ton of corn.

³ All payments to farmers conditioned on their agreement to withhold designated farmland from production during the calendar year (corresponds generally to crop year). Wheat certificate payments are excluded because they may be paid even if no diversion requirement is in effect.

⁴ ERS-Foreign 202, and ERS-Foreign 206, Economic Research Service, U.S. Department of Agriculture.

⁵ Data for 1968 based on or inferred from announced U.S. Department of Agriculture intentions and projections, particularly press release USDA 12-68, Jan. 2, 1968. Payments under feed grain and wheat programs are assumed to equal payments made for diversion from corn and sorghum, and for wheat, respectively, in 1966. Cotton program payments are assumed at 80 percent of 1967.

⁶ Official data not available for fiscal year 1968. Projection for 1968 based on applying 5-percent reduction reflected in budget estimate to the total for the previous year.

⁷ Minor discrepancies in totals are due to rounding.

Sources: U.S. Department of Agriculture data except as noted.

PRODUCTION, WORLD TRADE, ADDITIONS TO STOCKS, AND RESULTS OF MEASURES OF THE UNITED STATES TO
CONTROL SURPLUSES IN GRAINS: 1960, 1965, AND PROJECTIONS TO 1980

[In millions of metric tons]

Year and item	United States	World
1960:		
Production ¹	178.0	827.0
World trade ²	29.5	66.3
Additions to stocks ³	11.8	12.2
Production avoided ⁴	15.9	
Total annual world grain surplus equivalent ⁵		28.1
1965:		
Production ¹	179.0	881.0
World trade ²	49.4	107.0
Additions to stocks ³	(20.9)	(26.5)
Production avoided ⁴	52.0	
Total annual world grain surplus equivalent ⁵		25.5
1980:		
Production ⁶	315.0	1,381.0
World trade ⁶	110.0	175.0
Additions to stocks ⁷		62.8
Production avoided ⁸	61.2	
Total annual world grain surplus equivalent ⁹		124.0

¹ "World Agricultural Situation," ERS, U.S. Department of Agriculture, Washington, D.C., Feb. 20, 1968.

² Ibid. Exports of wheat and feed grains only. Annual exports of rice and other food grains are small, amounting to only 2,000,000 to 3,000,000 tons, and are not reported in this series.

³ Ibid. and Agricultural Statistics 1967, U.S. Department of Agriculture. "Additions to stocks" is the amount of increase (or decrease) in carryover into the succeeding year.

⁴ Based on U.S. Department of Agriculture sources. Assumes $\frac{2}{3}$ of national average yield of grain crop diverted or most productive grain substitute crop, on total cropland withheld from production in Government programs.

⁵ Sum of world "Additions to stocks" and "Production avoided" during year. This reflects the total world grain production capacity for the year that is in excess of current demand for market and for food aid.

⁶ "World Food Situation," FAE Report No. 35, ERS, U.S. Department of Agriculture, Aug. 22, 1967, table 9.

⁷ Ibid. Amount shown in tables 9 and 10 as excess of world production over world consumption is assumed to be added to world stocks. Data shown are from the "Rapid Improvement in Production" alternative basis for projections to 1980, inasmuch as it is based on a 4 percent annual increase in grain production in the developing countries, which was cited as the policy goal of the U.S. Government in administration testimony on the food-for-freedom bill in 1966. No attempt is made to allocate a share of this projected world grain surplus for 1980 to the United States. However, only the United States and Canada have carried out programs to withhold annually produced stocks from immediate marketing (except for "pipeline" stocks) and only the United States has paid farmers to withhold cropland from production.

⁸ The projection for 1980 of "Production avoided" is computed as $\frac{2}{3}$ of the projected national average production per acre of grain, based on table 9, "World Food Situation," ERS, U.S. Department of Agriculture, Aug. 22, 1967, times the acres assumed to be withheld from production in 1980. The acreage withheld from production in 1980 is assumed to be the difference between the 186,000,000 acres projected harvested acreage of grain for 1980, and the sum of the averages for 1961-65 of harvested acreages of grain plus acres diverted under farm programs.

The CHAIRMAN. Thank you. I have enjoyed discussing this with you. I apologize if I made some statements that are not in line with your thoughts, but I think that I get your point, and, if I may say it, it is my belief that what you are trying to do is to get as much of the land in this country in cultivation as possible—is that not the end result of what you are proposing?

Mr. LEWIS. That would be one result and would be one of my objectives. The basic purpose of producing food is human consumption. That is a very important purpose, for us as well as for the other countries, and for the world, and increasing the consumption of food is in the direct interest of the farmers, and I don't think the farmers need to apologize to anyone for wanting that.

The CHAIRMAN. I get the point. Thank you.

Mr. LEWIS. Thank you.

The CHAIRMAN. Mr. William Paddock. Identify yourself for the record; give us your name.

STATEMENT OF DR. WILLIAM C. PADDOCK

Mr. PADDOCK. Thank you, Mr. Chairman, and members of the committee. My name is William C. Paddock. I am a consultant in tropical agricultural development and have coauthored two books on the subject of world agriculture and food problems including Public Law 480: "Hungry Nations and Famine—1975."

I appreciate this opportunity to appear before you to explain my views.

I am against the current food-for-freedom bill.

I am not against food aid nor do I advocate curtailing food shipments.

But I am against the current bill because there is no evidence that its contribution toward combating hunger and malnutrition will be any greater than its predecessor bill—and that has been minimal. I am also against the bill because it is not being considered as a part of an overall, coordinated U.S. attack on the world food/population crisis. I see in it a dissipation of our agricultural strength in brush fire engagements in the war on hunger.

First, let me say that I speak here for no organized vested interest—and few bills before Congress have stimulated more vested interests than has this one. I represent no church group, no voluntary agency, no agribusiness. My vested interest is that of a private citizen who wants our food-aid program to be more effective in the future than it has been in the past.

My views are derived from my 18-year experience of living and working as a trained agriculturalist in and with the developing countries. I have written extensively on what must be done in order for the hungry nations to move their stagnant agriculture. My first article on the food problem, entitled "Can We Make the World Feed Us All?" was written in 1952 for the Saturday Evening Post and was inspired by this committee's deliberations on whether or not to send India 2 million tons of grain. That was 16 years ago.

The bill which is here being considered for a 3-year extension is different from the original Public Law 480, passed in 1954 when our surpluses were such a serious problem. The Commodity Credit Corp. investment jumped in 1954 to \$6 billion, in contrast to \$3.4 billion in 1953 and Congress was forced to take action of some kind to get rid of the surpluses. The result was Public Law 480.

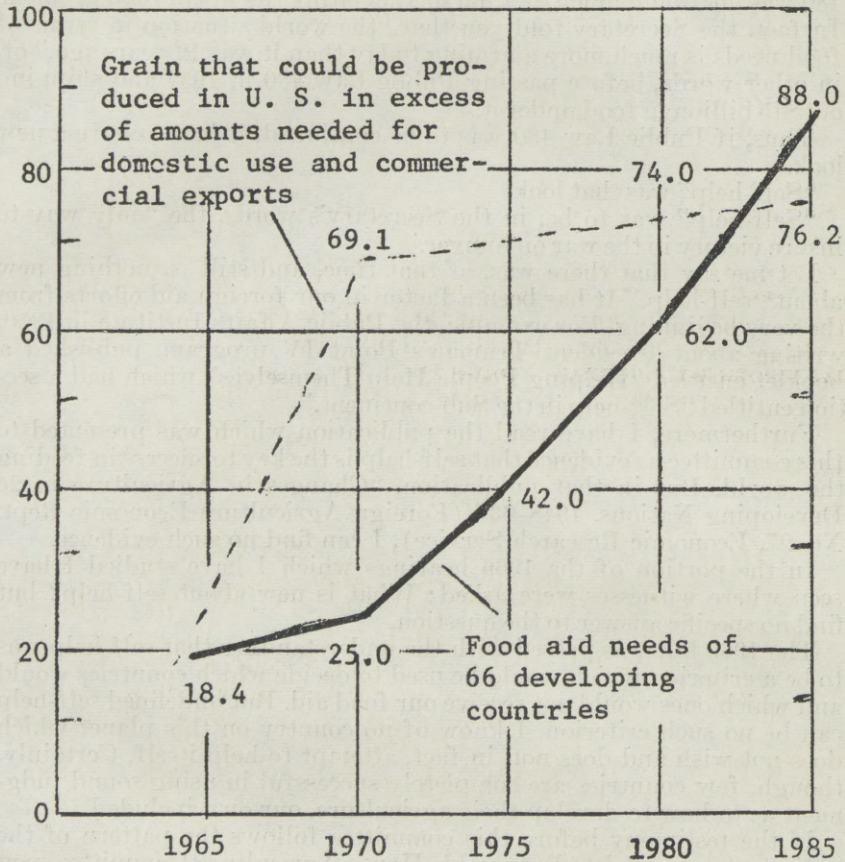
In 1966, however, our agricultural surpluses were nearly exhausted and no food-for-peace bill, based on surplus commodities, was possible. Therefore, Congress removed the surplus concept in the old bill.

In 1966 you were told that we were losing the battle against hunger. You will recall the following graph presented during your 1966 hearings by Secretary Freeman.

(The graph referred to follows:)

U. S. Availability of all Grain for Food Aid and
Food Aid Needs of 66 Developing Nations, 1970-1985

mil. metric tons



Mr. PADDOCK. At those hearings the Secretary of Agriculture said that "the point at which the lines cross signifies the onset of disaster. By 1985 there would be no way to fill the (food) gap."

The information given this committee then was that Public Law 480 was not doing much of a job in alleviating the world food problem. In fact, the Secretary told you that "the world situation in terms of food needs is much more alarming today than it was 12 years ago," or, in other words, before passing Public Law 480 in 1954 and shipping out \$15 billion in food under it.

Thus, if Public Law 480 was to be continued, it had to have a new look.

"Self-help" was that look.

"Self-help" was to be, in the Secretary's words, the "only way to insure victory in the war on hunger."

Let me say that there was, at that time, and still is, nothing new about "self-help." It has been a factor in our foreign aid efforts from the very beginning. For example, the Public Affairs Institute in 1950, writing about President Truman's Point IV program, published a booklet entitled "Helping People Help Themselves" which had a section entitled "Self-help in the Sub-continent."

Furthermore, I have read the publication which was presented to this committee as evidence that self-help is the key to success in feeding the world. But in that publication, "Changes in Agriculture in 26 Developing Nations, 1948-63" (Foreign Agriculture Economic Rept. No. 27, Economic Research Service), I can find no such evidence.

In the portion of the 1966 hearings which I have studied I have seen where witnesses were asked: What is new about self-help? but find no specific answer to the question.

The 1966 bill was passed with the understanding that self-help was to be a criterion which would be used to decide which countries would and which ones would not receive our food aid. But undefined self-help can be no such criterion. I know of no country on this planet which does not wish and does not, in fact, attempt to help itself. Certainly, though, few countries are completely successful in using sound judgment as to how to develop their agriculture, our own included.

If the testimony before this committee follows the pattern of the testimony presented to last week's House Agriculture Committee, you will be given a far more hopeful picture about the world food needs than you were given 2 years ago.

The use in India and Pakistan of the new Mexican wheat and Philippine rice varieties brings hope.

You heard them mentioned earlier this morning.

The CHAIRMAN. I have it in my report. I was in India and Pakistan in November and December of last year.

Mr. PADDOCK. You are also familiar with these protein-rich drinks. This brings hope. Coca-Cola bottling a protein drink brings hope.

The greater emphasis on agriculture in budgetary allocations of a number of hungry countries brings hope.

These are hopes that should not be ignored.

I pray that they become something much more than hopes.

But let us accept them for what they are: Hopes.

The current optimistic world agriculture production figures are overwhelmingly the result of the good growing season God gave the

grain-deficit countries of Europe, West Asia and Latin America, and India, Pakistan and mainland China this past year.

It would be incorrect—for time has been too short—to say that the self-help aspect of the 1966 food-for-peace bill was in any way a factor in these current statistics.

When questioned on this point by the House committee last week both Mr. Freeman and Mr. Gaud said, however, self-help was a factor, but the examples they gave predated the 1966 bill.

Mr. Freeman said, “We had had (self-help) * * * in the agribusiness in India and Turkey for 20 years.” Another self-help example he gave was “the Mexican wheat seed started * * * over 15 years ago” * * * “rice seed developed only within the last 6 years * * *”

Mr. Gaud said that:

The Department of Agriculture and AID have been cooperating and using self-help provisions for a matter of several years now.

To repeat. We’ve always had self-help in our aid efforts and it has wrought no miracles. Attaching the words “self-help” to the 1966 food-for-freedom bill will likewise produce no miracles.

If this committee believes that the world agricultural picture has changed since it held its hearings on this subject in March of 1966, I suggest you consult the report on the “World Food Supply” issued 10 months ago by the President’s Science Advisory Committee.

You all have been sent copies of that report.

The report says that:

The scale, severity and duration of the world food problem are so great that a massive, long-range innovative effort unprecedented in human history will be required to master it.

Even though the committee said that money was not the most serious limiting factor—scientific, technical and managerial skills were—the solving of the world food problem would require over \$12 billion more capital investment per year than was being spent in the developing countries in 1965. To achieve such expenditures would “require capital and technical involvement of developed and developing nations alike on a scale unparalleled in the peacetime history of men.”

Is any nation ready for such an effort?

Certainly ours is not.

As it awaits the appointment of a commanding general, the Office of the War on Hunger sits under a cloud of doubt. Weekend before last most of the staff of the Office of the War on Hunger was moved out of the New State Department Building—where, at least by simply being housed there, the staff had a degree of prestige—to something called SA-10 which is an old converted emergency hospital.

Congress last December passed the smallest AID appropriation in the 20-year history of our foreign aid program. While, on paper, AID appears to be spending more each year for agriculture, I know of few agriculturalists who feel that the AID effort will have, in the long run, a significant impact on world food production.

The CHAIRMAN. There is one point which you do not cover which I expected you to cover. I did not study it, but I presume these experts based their conclusion on the population increasing at a specified rate without more land. I can well see that unless something is done to have a realistic family planning program in India and Pakistan and

other countries of the world, the picture might be worse than the one you are now painting.

Mr. PADDOCK. This is, of course, the problem. We are just not coming to grips with the world food and population problem in a manner which experts have said must be done if it is to be solved.

Of course, the major reason for the world food problem is the population explosion. We do not know how to stop it. There is no evidence that man will successfully control the population growth, in the developing world—testimony on Korea, Japan, Taiwan, and Hong Kong notwithstanding. For a more complete statement of this problem, let me refer you to this past Sunday's Washington Post article on this subject by Stanford's biologist Paul Ehrlich entitled "The Fight Against Famine Is Already Lost."

Perhaps, you might wish to incorporate that.

The CHAIRMAN. That will be filed in the files of the committee. (The article referred to will be found in the files of the committee.)

Mr. PADDOCK. Also in this week's Washington Post is reported a new prediction by the respected Population Reference Bureau which says that by January 1, 1969, the world will pass 3.5 billion and within the following 30 years this planet will have achieved a population of 7 billion. This morning one of the earlier witnesses said 6 billion; unfortunately, according to the latest authority, it is now 7 billion. Not included in the press release, however, was the following statement made this week by the president of the Population Reference Bureau, Robert Cook:

Since World War II the declining death rates in the hungry nations have not been offset by any comparable decline in birth rates. The result is that the population growth rate continues to accelerate and a dire consequence is a growing imbalance between the rate of food production and the rate of human reproduction.

I am against passing a 3-year extension of the food-for-freedom bill on the assumption that the self-help feature of the bill will increase the effectiveness of our food-aid program—for there is no proof that this is so.

I am also against passing a 3-year extension of the food-for-freedom bill on the assumption that there is evidence of an improvement in the future world food needs—for there is also clear evidence to the contrary.

The CHAIRMAN. Do you not think that more food is being produced but not enough to keep up with the population increase?

Mr. PADDOCK. That is correct.

The CHAIRMAN. That is what you mean?

Mr. PADDOCK. That is exactly the situation. We are losing the race.

The CHAIRMAN. That is right. That is the way that I understood the statement. In justice to the testimony that was submitted by Mr. Freeman, he did mention that there was considerable progress made in India in family planning, as well as in Pakistan, and I could testify to that to some extent. Of course, there is no way to gage it, because it is, more or less, something new to those people, but I would not be surprised if it does take root as Mr. Freeman hopes and others hope, those who testified 2 years ago that the population in India as well as in Pakistan can be considerably decreased if a realistic family planning program can be put into effect. Whether that can be done, I am not going to argue with you. I do not know.

Mr. PADDOCK. Let me give you my opinion. After talking with many demographers on this subject, I believe that at this moment there is no evidence that they can lower the birth rate faster than they can lower the death rate. As a matter of fact, the statistics that have—

The CHAIRMAN. Even with family planning?

Mr. PADDOCK. That is correct; that is correct.

These statistics which were released this week by the Population Reference Bureau show that India is losing the battle right now. I think that most of us who have looked at the situation realistically in India will agree that the death rate is going to go down much faster than the birth rate, and, as the result of having death control and only minimal in birth control, the population explosion is going to accelerate in the coming years.

The CHAIRMAN. Then, I suppose that in the final and last analysis, to follow through with your expressed views, India is hopeless, and so is Pakistan?

Mr. PADDOCK. I am not certain that Pakistan is. Pakistan is in a different situation, sir.

The CHAIRMAN. I agree to that; it is different than India.

Mr. PADDOCK. That is correct; that is what I meant.

The CHAIRMAN. So far as India is concerned—

Mr. PADDOCK. I have written about the subject. I guess that I, myself, may be somewhat persona non grata because of my views.

The CHAIRMAN. Because you told the truth?

Mr. PADDOCK. Thank you, sir.

The CHAIRMAN. I do not think that they like my report very much, because mine borders on statements of that kind. I have my report now in the works and I hope to have it published in the next 4 or 5 weeks.

Mr. PADDOCK. I will look forward to reading it.

I urge, then, passing only a 1-year extension.

I further urge that this committee use the year to determine how our great agricultural capacity can be used most effectively in a long-range effort aimed at achieving world food self-sufficiency and stability.

Great as our resources are, they are far too limited to permit any to be used ineffectively. Unless our efforts are better planned and better coordinated, we will continue to fritter away our great agricultural potential.

It is self-deceiving for this committee to increase or even extend food aid in the belief that it is helping to solve the world food problem when, at the same time, Congress cuts back on our other foreign aid commitments forcing the Agency for International Development to curtail its agricultural development projects.

How do we coordinate the objectives of our food-aid program with the needs of our U.S. farmers?

And how is the answer to that question equated with our balance-of-payments problem?

How do we prepare ourselves so that we are effective in the event that the future world food needs become much more rather than much less severe?

If our food aid is buying us time in which to solve the population problem, how much time must we buy?

And if we can't buy it, what then?

These are some of the questions which your study should resolve during the coming year.

These are questions which the committee, established under section 407 of the 1966 Public Law 480, should have attempted to answer before this current 3-year extension was proposed. However, it is my understanding that the committee has never met. The very least Congress might do this year in attempting to make our food aid more effective is to require that the advisory committee hold regular semi-annual meetings and clarify who is to call the group together.

Far more effective, however, would be for the Congress to enact an updated version of the House Joint Resolution 715 which was never reported out of committee during the 89th Congress. The purpose of that resolution reads:

To establish a U.S. World Food Study and Coordinating Commission to study world food and agricultural needs, and to evaluate the future role of the U.S. agricultural and other resources in the light of present and projected world food and population trends.

President Johnson, when he proposed this food-for-freedom extension bill this year called it a "lifeline of hope to the needy of the world."

Why should it be only for the needy?

It should, instead, be considered a basic tool for achieving world stability. In other words, it should be a lifeline for everyone in this world. This it can be only if it is more effective than it has been in the past—and it will not be unless you undertake the study I urge—or one similar to it.

The CHAIRMAN. Thank you very much, sir. Your statement was very interesting.

Our witness is Mrs. Vera Durkovic.

Please identify yourself for the record, and give us your full name.

STATEMENT OF MRS. VERA DURKOVIC, SILVER SPRING, MD.

Mrs. DURKOVIC. Mr. Chairman and members of this committee, my name is Vera Durkovic, a mother of three sons, and I reside in Silver Spring, Md.

I come before you, first, as a concerned Christian; then, as a concerned citizen and homemaker.

I represent no consumer group or producer group.

I daresay, however, that I echo the concern of many Christians, citizens and homemakers across our Nation.

May I impress upon you my serious concern for the need to extend for another 3 years the food-for-peace bill which Congress enacted in 1966. This would give us more time to implement some of the ideas and solutions presented last month by the expert panelists at the Second International War on Hunger Conference which emphasized, to mention a few, self-help, education, population control, an increase in research and technical assistance, improved program coordination, export of, free enterprise as well as food, and a movement to increase farm prices.

As I sat there listening to the various answers given to the problem of war on hunger, I wondered what was holding us back. All signs point to "go," and at the same time I realize that the problem is very complex. But my eyes, as well as many others, are turned upon

you, the leaders of our country, to continue the good work now off the launching pad and to keep hope soaring high.

I have some questions that came to my mind while attending the Conference which seem pertinent to our subject.

During a film showing the narrator said, and I quote:

Jungle growth is useless as food.

Is this really so?

Has this been proven by adequate research?

On another point I was surprised to learn that the farmer is suffering from low prices on his produce. I was distressed to learn this. Food prices have steadily increased during the past years and have continued to do so, especially of late. If the farmer is not receiving his share of the increase, who is receiving it?

At the Conference, the point was made that our modern food packaging caused much of the increase. Undoubtedly, our modern packaging costs us something. Take carrots, for example. Today, they sell for 25 cents a pound. Not so long ago, they sold for 2 pounds for 35 cents. The packaging is the same; who is getting the increase?

Since it was made clear that the farmer is not getting the increase, who is?

Now take puffed rice and puffed wheat, which have been honeyed up; this means another package. Then, recently there appeared on the market a decolorized honeyed puffed rice and puffed wheat cereal—still another package. If this raises the price of all rice and wheat cereals, I am certain that homemakers would want to decide for themselves whether or not they wanted to sweeten their cereals.

On the whole, homemakers are very budget minded and, I might add, practical. And being a practical person myself I cannot understand the one important and significant fact that stands out in my mind, from all I have read and heard, and it is this: Why is the farmer paid by our Government—and this is us—to withhold his land from producing crops when we have granaries in the Midwest that are practically empty and there is hunger rampant in the world? Do we not have a moral obligation at least to rectify this situation?

And what is there to prevent an act of God from having our land of plenty turned into a land of famine, as in the days of Pharaoh and Joseph?

Should not we be better prepared as a nation than we are, as our empty granaries indicate?

In my mind there is a definite need to produce more food, even if it costs us more.

We need to educate our own people as to the severity of hunger in the world, the answers that are available, what we are doing today to alleviate this hunger and how much more needs to be done.

I agree with Vice President Humphrey when he said at the War on Hunger Conference: "Get the TV and radio and newspapers to teach facts."

The CHAIRMAN. To teach facts?

Mrs. DURKOVIC. To teach facts; yes, sir.

The CHAIRMAN. They are sometimes tainted.

Mrs. DURKOVIC. That is right.

Lastly, among the documents available at the Conference was a proposal submitted by a gentleman named Mr. Aaron Scheinfeld. May I suggest your perusal of this proposal, as I believe it has merit.

Thank you.

The CHAIRMAN. Thank you very much.

This is the last witness who has asked to be heard today.

The committee will stand in recess until 10 a.m., tomorrow morning.

(Whereupon, at 12:30 a.m., a recess was taken until 10 a.m., Friday, March 15, 1968.)

EXTENSION OF PUBLIC LAW 480, 83D CONGRESS

FRIDAY, MARCH 15, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The Committee met, pursuant to recess, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Byrd of Virginia, Aiken, Young of North Dakota, and Miller.

The CHAIRMAN. The committee will please come to order.

We are privileged to have with us as witnesses today the Secretary of Agriculture, Orville L. Freeman, Mr. Gaud, the Administrator of the Agency for International Development, and Mr. Rostow, Under Secretary of State for Political Affairs.

Suppose you start, Mr. Freeman? Do you have a prepared statement?

Secretary FREEMAN. I have a prepared statement, Mr. Chairman and gentlemen of the committee, and, with your permission, I will proceed with it.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE

Secretary FREEMAN. Mr. Chairman and members of the committee.

The progress of American agriculture has been marked by a series of milestone advancements. At one time we concentrated mainly on production problems. Wonderful mechanical inventions were made available to our farmers, and these were matched by improved crops and animals and ways to raise them. In more recent time we have made equal progress in solving problems of what happens to products after they leave the farm—and it is in this important area of marketing and distribution that Public Law 480 shines forth as one of the truly creative innovations of our time.

I am pleased to meet with you today to talk about Public Law 480 and to support its extension for 3 years in its present form.

Public Law 480 has served us well for many years. It has helped to move accumulated farm surpluses into constructive use. It has helped to feed hungry people.

But these contributions were not enough. Increasingly, we have been aware of the need for countries we were helping to do more for themselves to improve their farms and villages and well-being. In helping them to do this we make an important contribution to world peace, for a hungry people will always be a restless people, and no country in

the course of history has reached a high standard of living and of economic expansion without a firm agricultural base.

At the same time we have been aware of the need for doing even more to expand foreign cash markets for our products, thereby revising Public Law 480 so that these potentials could be realized.

The new emphasis on self-help was a timely and much-needed change. It might be said that food under Public Law 480 has not been given free since 1966. Instead, we have been exchanging commodities for commitments—commitments to build farm to market roads, to adopt incentive price policies, to build fertilizer plants. The new section providing that local currencies in excess currency countries might be used for agricultural development projects was a helpful addition for which I pay my compliments to this committee. Under this provision we have already programed over \$84 million for economic development and family welfare in the three countries to which this provision has been applicable.

The strong emphasis on transition to harder terms was a change that we strongly endorse and are using as a principal guideline as new agreements are formulated. A feature that originated with this committee—the provision for sales on a convertible local currency basis—is a definite help to us in setting up agreements which comply with our objective of moving from soft terms to harder terms as rapidly as possible. The rate at which we have been shifting to harder terms is shown by the record. In both fiscal 1966 and fiscal 1967, 17 percent of our sales under Public Law 480 were on dollar repayable terms. In fiscal 1968, 48 percent are on dollar repayable terms; and, as budgeted for fiscal 1969, 61 percent will be on such terms.

I think we have in Public Law 480, as improved in 1966 and as it is constructed and administered at this time, a highly practical program that is both good for us and good for the countries associated with us. It is an excellent program for our times. Under it we are programing shipments at as high a level as is consistent with legal requirements and the necessity not to disrupt established commercial markets or to create a disincentive to recipient countries to improve their own food production. The various agencies responsible are working together closely and, in my judgment, effectively to carry out this complex program as a well-integrated, dynamic effort. I think we have succeeded.

The CHAIRMAN. Would you mind an interruption?

Secretary FREEMAN. Not at all.

The CHAIRMAN. I note what you say about this transition from local currencies to hard currencies. We had a witness here yesterday who stated that very little had been done in that direction. I notice where you contemplate improving this situation in 1968 and 1969. I wonder if you could be more specific as to what you did in 1966 and 1967—and not only in that regard but in requiring at least a 5 percent payment in cash or hard currency?

Secretary FREEMAN. Well, in terms of moving from the soft currency sales to the credit sales, the percentages, as I have noted them in my testimony, are a matter of record.

The CHAIRMAN. Well, the point is, as you know, that this law has changed from what it was prior to 1966, and this committee felt that the time had been reached when we should demand a little more hard currency than to use some of these soft currencies. And this applies

more particularly to India, because we had sold them more, I presume, than any other country—it seems to me that, under the law we enacted 2 years ago, this transition is going to take place by 1971, and from what you have done, what you did in 1966–67, it does not make too much of a good showing, from the testimony of some of the witnesses that have appeared before us, and that is why I am asking the question. I would also like to know in how many transactions have you required the 5 percent payment in hard currency?

Secretary FREEMAN. To answer the first question Mr. Chairman, I think we are on schedule in connection with moving from the soft currency sales to the credit sales.

We expect dollar credits will increase from \$221 million in fiscal 1967 to \$536 million in fiscal 1968, which is our current estimate, while the soft currency sales will decrease from \$1,067 million in 1967 to \$740 million in 1968.

We further made the estimate that in fiscal 1969 we will be making 61 percent credit sales and will be down then to 39 percent of currency sales. That is our current projection.

We are running into the question where in some places around the world we may need more local currency directly for U.S. uses of various kinds and possibly for loan availabilities under the so-called Cooley loan program. But the policy as set out in the 1966 amendment calling for movement from soft currency sales to credit sales is proceeding to schedule.

The CHAIRMAN. But, now, to pursue that a little further: As you recall, under the prior act we had credit extended only for a maximum of 20 years with a 2-year grace period. I understand that you have sold quite a bit of these commodities with a 40-year term basis, with a 10-year grace period, and a 2½ percent interest charge thereafter. I think that is outrageous to do a thing like that, to be frank with you.

Secretary FREEMAN. Mr. Chairman, it has been done in cases where the debt repayment schedule of the countries in question was such that the prospect of consummating an arrangement on harder terms that would serve our mutual benefits were slim, if not nonexistent.

The CHAIRMAN. Debt repayment to whom?

Secretary FREEMAN. Debt repayment, generally.

The CHAIRMAN. To other countries?

Secretary FREEMAN. To other countries.

The CHAIRMAN. To a lot of countries that gave harder terms than we did—having interest rates of 4½ to 6 percent and 10 years in which to pay. I have contended, not only with you but with Mr. Gaud, that they use our money to repay these harder terms that they were able to obtain from other countries. I just think it is outrageous for that to happen.

STATEMENT OF HON. WILLIAM S. GAUD, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT, DEPARTMENT OF STATE

Mr. GAUD. We have done that in five countries, Afghanistan, Guinea, India, Indonesia, and Pakistan.

Indonesia, as you know, has already gone through the wringer, so to speak, so far as this debt burden is concerned, within the last year or so, and there is now in effect a debt rollover by the IMF and the inter-governmental unit consisting of some seven or eight nations which are

giving aid to Indonesia. It is quite clear to me that it would be impossible to expect Indonesia to buy food on hard terms.

The CHAIRMAN. Well, wait a minute. A country like that, that is just coming into it, it strikes me that to give Indonesia a credit term of 40 years and 10 years grace, why, I just do not think that should be done. We had in our law, in our bill, before, a 20-year credit period with 2 years grace, which was very liberal.

Mr. GAUD. I was going to say, as you recollect, we were moving, in the case of Indonesia, India, Pakistan, and Afghanistan, from agreements which they were paying only in local currencies to agreements in which they are paying in convertible currencies, and the question is: What are their foreign exchange capabilities? Can they afford 10- or 20-year terms?

Under the Foreign Assistance Act, the loans that we make are on these softer terms for the reason that their debt burden is such that there is no reason to do otherwise in trying to give them aid.

The CHAIRMAN. To whom do they owe it—to us?

Mr. GAUD. To us, and to others. To every country. If you take Indonesia and India, the two countries that are involved in this business of debt adjustment at the moment, every country is making the same debt adjustment; not only the United States is doing this.

In the case of Indonesia, the debt rollover, the terms of the debt rollover were agreed to by all Western nations, and, indeed, by all Eastern bloc nations. So, there is uniformity in this, and nobody is taking advantage of us in this.

The CHAIRMAN. All right. What countries are giving as liberal terms as we are?

Mr. GAUD. To Indonesia?

The CHAIRMAN. Forty years—I mean to any country.

Mr. GAUD. Oh, well—

The CHAIRMAN. You mentioned one here and there. I believe that the time has come when we should tighten up a little bit on that.

Mr. GAUD. Let me answer your question, if I may. The International Development Association, which is an affiliate of the World Bank, gives loans on easier terms than we do. They have a 50-year term with a 10-year grace period.

The CHAIRMAN. That is for currencies that we furnished them?

Mr. GAUD. Well, we put up 40 percent of the currencies; other Western nations put up the remaining 60 percent, and their loans all go 50 years, 10 years grace, three-fourths of 1 percent interest.

On a bilateral basis, the British, the Canadians, and Denmark, and to some extent the Netherlands, make loans for just as long periods as we do with no interest and with a long term grace period, the reason being that they feel, as the World Bank feels and as we in AID feel, that if you are going to give aid to a country you have to give it on soft enough terms so that they do not immediately pay it back in debt payments. So, there are four other countries plus IDA that are making loans today on more lenient terms than we are.

The CHAIRMAN. Wait a minute. What are those countries?

Mr. GAUD. Denmark—

The CHAIRMAN. To whom?

Mr. GAUD. Denmark, the Netherlands, the United Kingdom, and Canada.

The CHAIRMAN. To whom?

Mr. GAUD. To India.

The CHAIRMAN. Not the Russians—

Mr. GAUD. Canada, which has no former colonies.

The CHAIRMAN. I would be curious to find out how much Canada is giving to it.

Mr. GAUD. In the percentage of their national incomes that different countries are giving—in that—the United States ranks fifth.

The CHAIRMAN. You mean the gross national product?

Mr. GAUD. The national income—not the gross national product. The United Nations has set a standard of 1 percent as the amount that they would like to see countries give for aid, and the country that is closest to that is France, ninety-five one-hundredths of 1 percent. Next—

The CHAIRMAN. France, to whom did they give it? To whom?

Mr. GAUD. Most of the French aid—

The CHAIRMAN. To North Africa?

Mr. GAUD. Africa.

The CHAIRMAN. That is right—former colonies.

Mr. GAUD. Some of it goes to India and Pakistan.

The CHAIRMAN. Very little.

Mr. GAUD. It varies.

The CHAIRMAN. Does not the bulk of it go to North Africa; the way they are doing it?

Mr. GAUD. And to Equatorial Africa.

The CHAIRMAN. The way that they do it is by subsidizing the farmers out there; in other words, France could buy peanuts from us probably 2 cents cheaper than they can buy them from Africa, but they do it there in order to assist the economy of their former colonies. You count that as aid, but I do not. That is why we differed, if you remember, before the committee some time ago.

Mr. GAUD. That is right.

The CHAIRMAN. We put out cash for that, or goods, whereas, in the case of France, they buy the peanuts from Africa, and other commodities, even cotton, much cheaper than they could buy it on the open market, and who pays for that, of course, are the French people.

Mr. GAUD. Most of the French aid is grant aid; better than two-thirds of their aid is grant aid—a much higher percentage of their aid is for grants than is ours. But to continue with the list, if I may, sir: Australia, and the United Kingdom, all give a higher percentage of their national income to aid than we do.

Senator MILLER. If you will yield at that point?

The CHAIRMAN. I do not see how you can come to that conclusion. All right.

Mr. GAUD. These are not our figures.

The CHAIRMAN. I know how you got them.

Senator MILLER. I would like to ask this question: You say that the United States ranks fifth in the percentage of our national net income that we allocate to foreign aid. Is that it?

Mr. GAUD. Yes.

Senator MILLER. What was the figure that was used for the U.S. aid?

Mr. GAUD. It includes, Senator Miller, all economic aid under the Foreign Assistance Act, Public Law 480, Export-Import Bank loans, the Peace Corps—our contributions to the international organizations. It includes everything that we give by way of aid to any program, including our contributions to the World Bank and the like.

Senator MILLER. Does it include our aid to South Vietnam?

Mr. GAUD. Yes, sir.

Senator MILLER. Does it include our contributions to international agencies?

Mr. GAUD. Yes, sir.

Senator MILLER. I wonder if you could supply for the record that information.

Mr. GAUD. All right. These are figures, Senator Miller, that are prepared and put out every year by the Development Assistance Committee in Paris. They are not U.S. figures. They are international. They do include all of our programs that I mentioned.

Senator MILLER. I just want to make sure that all are included.

I would like to know what figures were used.

Mr. GAUD. Right.

(The information is as follows:)

U.S. OFFICIAL ECONOMIC ASSISTANCE TO LESS-DEVELOPED COUNTRIES—NET OBLIGATIONS (ACTUAL, FISCAL YEARS 1966 AND 1967; ESTIMATED, 1968 AND 1969)

[In millions of dollars]

	Fiscal year 1966 actual	Fiscal year 1967 actual	Fiscal year 1968 estimate	Fiscal year 1969 proposed
Bilateral (total, excluding Exim bank).....	4,322	3,337	3,433	3,968
Foreign Assistance Act.....	2,407	2,128	1,905	2,450
Public Law 480.....	1,736	1,040	1,355	1,340
Peace Corps.....	113	105	108	113
Other (excluding Eximbank).....	66	64	65	65
Multilateral.....	492	495	537	891
Foreign Assistance Act ²	138	121	113	125
IDA.....				
IDB.....	250	250	300	506
ADB.....		20	20	20
Total (excluding Eximbank).....	4,814	3,832	3,979	4,859
Eximbank.....	321	947	(³)	(³)
Grand total.....	5,135	4,779	(³)	(³)

¹ 15 percent subtracted from estimated total sales for U.S. uses.

² Includes U.N. contributions.

³ Not available.

Senator YOUNG. Whenever you are through, I have a few questions. I will wait until you are through.

The CHAIRMAN. Go ahead.

Senator YOUNG. Under our foreign currency sales, different countries pay more than they used to, do they not?

Has there not been a change?

Secretary FREEMAN. They do pay more now. Under the foreign currency sales, the receiving country must pay transportation costs except that for the portion that goes in American bottoms, we finance the differential between the U.S. and foreign-flag rates.

Senator YOUNG. When we sell for foreign currency, do we require any payment in dollars or is it entirely in foreign currency?

Secretary FREEMAN. Well, there are a number of mixes, different negotiations, different agreements that are reached now. There are some instances, and the chairman asked this as a part of his question, of agreements with 5-percent initial payments.

Senator YOUNG. Does the 5-percent downpayment apply to foreign currency sales as well as the dollar sales?

Secretary FREEMAN. It does apply to foreign currency sales as well. We do obtain conversion of soft currencies to hard currency which is then available, for example, in agricultural market promotion programs. We have done this for a number of years. The 1966 act directs us to negotiate for 5 percent initial payment in those instances where we feel it can be done. So, in terms of initial payment made of the 5 percent, that has been done in a number of examples. We have moved in that direction. The payment was waived in the case Afghanistan, Ceylon, Congo, Guinea, and Indonesia, for reasons of foreign policy and balance of payments, in terms of their currency position. And with respect to Ghana, 2 percent of it was waived, and 3 percent was paid. So the provision is being used. It is being actively considered as a part of the movement from soft currency sales to harder loan terms.

As you know, we then encourage transition to CCC export credit, and, finally, as we have done in many countries, to a full-fledged commercial transactions.

Senator YOUNG. In the case of Indonesia, how much assistance have we given them in the last year and in what form?

Mr. GAUD. Total assistance?

Senator YOUNG. Yes, sir.

Mr. GAUD. We took a commitment in the intergovernmental group to supply Indonesia with one-third of her requirements, provided the other countries came up with two-thirds. Ours was partly in the shape of development loans and partly in the shape of Public Law 480. The figure for the current year, as I recall, would be around \$100 million—just a little over. And the composition of that is not yet clear. It would depend upon the amount—it would depend upon two things: the amount of cotton that Indonesia can use—and we would want to send as much cotton to them as we can—and it would depend also upon the quantity of rice that we can find over and above our requirements, particularly in South Vietnam, to make available to Indonesia. The balance would be in development loans. It probably would be 50 percent loans and 50 percent Public Law 480.

Mr. FRANK ELLIS (Agency for International Development). And bulgar.

Mr. GAUD. There will be some bulgar also in that.

Senator YOUNG. I want to commend you for the assistance given to Indonesia. They are broke financially. They do need financial assistance. An anti-Communist government has to survive. I do not know of any country in the world where we can make a better investment than there. I would rather provide a little food and cash assistance than to send an army over there.

Mr. GAUD. We feel the same way, and they are doing a good job at present. We hope they will keep at it.

Secretary FREEMAN. May I correct the record, Senator Young?

In connection with the initial payments, there are 15 countries in which the initial payment was made possibly by the amendment 2 years ago.

The CHAIRMAN. You mean Pakistan?

Secretary FREEMAN. Fifteen countries—

The CHAIRMAN. Including Pakistan?

Secretary FREEMAN. Yes.

The CHAIRMAN. Were you able to collect the entire 5 percent, or a reduced amount?

Secretary FREEMAN. No. In these 15 countries, 5 percent was obtained.

The CHAIRMAN. Will you give that for the record?

Secretary FREEMAN. We can supply that for the record.

(The information is as follows:)

Agreements have been signed with the following countries to provide for five percent initial payment:

- Bolivia
- Brazil
- Chile
- Guatemala
- Iceland
- India
- Iran
- Liberia
- Morocco
- Pakistan
- Paraguay
- Sierra Leone
- Sudan
- Tunisia
- Uruguay

Secretary FREEMAN. The 15 includes Chile which was 10 percent. And five countries, in which it was waived, that I have named already: Afghanistan, Ceylon, Congo, and Indonesia, and in one country it was waived to the extent of 2 percent—in Ghana, but there were 15 countries in which it was made.

Senator YOUNG. I think you have made a commendable record in the last year or so. I would say over the whole period of the program for that matter, but you have increased shipments of wheat, for example, and you are making more dollar sales.

Secretary FREEMAN. That is correct.

Senator YOUNG. I have no complaint.

Secretary FREEMAN. Thank you, sir.

Senator HOLLAND. The chairman of this committee is entitled to great credit upon insisting for that dollar sale provision which we put in the act, the Senator from North Dakota will remember. You supported that. He was the originator of that idea.

Senator YOUNG. I do remember.

The CHAIRMAN. The thing that bothers me is that we still continue to sell on soft currency, long-term and 10-year grace periods. Nobody can defend that anymore to me. We had, as you know, in the law, a 20-year provision with a 2-year grace provision, and I thought that was ample time, and I found out that much of this credit is being given on a long-term basis and this transition is slowly grinding its way. I am

hopeful that we will be able to get this on an even keel by 1971 as the bill provides.

Do you think, at the rate that you are going, that you will be able to attain that goal?

Secretary FREEMAN. We are on schedule in that connection and are moving steadily toward the credit terms as provided in the law.

The CHAIRMAN. Of course, the credit terms as provided in the law did not provide for the 40-year period.

Secretary FREEMAN. The law provided for the transition to dollar sales which I have made reference in my statement, except in those instances where it was necessary to effectuate an agreement that was consistent with our interests and those of the receiving countries, that we would make these 40-year arrangements which would be reducible to convertible local currency credits.

The CHAIRMAN. It was left to the Department to do it. We did not write it in the act, as I recall it. We had the 20-year proposal with the 2 years grace, and there was a little flexibility there with respect to credit under title I, but when you convert, as you say, the sales made for cash as time goes on and you give a 40-year repayment period, that is one thing that I cannot agree with. I do not think that you are doing it in keeping with what this committee had in mind.

Secretary FREEMAN. Mr. Chairman, it was recognized quite clearly that this committee intended that this program should move from soft currency sales to hard currency sales, to a progressive transition of credit, but it was also contemplated, I believe, that in certain circumstances, where the situation required it, that we would have the option of making a local currency sale which would be convertible to hard currency over a 40-year period under terms that would be no more liberal than that which can be made by AID in its development loan program. I think that that authority has been very carefully applied.

We have, as I said, moved to the direct loan program, and we expect to continue on schedule, but there are a few of these countries where their balance-of-payments position is such that in order to accomplish these arrangements in our mutual interest it has been necessary to have that long a credit span. And we hope and believe that discretion has been used wisely.

The CHAIRMAN. I hope that their balance of payments is not as bad as ours.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. And if we continue the course we are pursuing now, things are bound to get worse. I go back to the proposition that this 40-year repayment, with 10 years' grace, where no interest is paid or anything, particularly when we have a lot of the countries who have loaned money to these people, really, on commercial terms, and with a great amount of interest, when our credit terms are such that these people like the Germans and others who are well able to assist these people—if that policy is pursued, my fear is that a good deal of what we are trying under this law will be nullified.

I wanted to have Mr. Gaud answer one question awhile ago about income.

That is a new capacity that you applied, about comparing what we do far countries. What do you mean by "income"?

You said it a little while ago. You stated that we were fifth in line.

Mr. GAUD. Several years ago, the United Nations adopted sort of a principle that the well-to-do countries should devote 1 percent of their national income to foreign aid.

There was an agreement which was adopted—not an agreement. It was a principle adopted by the United Nations.

There are a number of countries which have made this a national policy and are working toward it. Canada, for example, within the last year adopted it as the official government policy, that it would move to that figure. Japan has done the same thing. Several other European countries have done it. It is a voluntary principle. It does not bind anyone, Mr. Chairman, and no country today, as I said, at least for calendar year 1966—which is the latest for which figures are available from the Development Assistance Committee in Paris—no country is at that figure, although France is very close. And using that standard set up by the United Nations, we are fifth in line for the year 1966.

The CHAIRMAN. How do you figure income? You have got a table which has columns labeled "Total Output," "Income," and "Spending." It is the total disposable of personal income that you speak of or just exactly what is it?

Mr. GAUD. I am frank to say that I do not know.

The CHAIRMAN. You do not know.

Mr. GAUD. I can furnish that.

Do you know, Mr. Rostow?

STATEMENT OF HON. EUGENE V. ROSTOW, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS

Mr. ROSTOW. You have three or four ways of measuring the total output and the total spendings. Gross national product is commonly used.

The CHAIRMAN. I would like to ask: Why did you get away from that?

Mr. ROSTOW. My recollection is that they simply decided that national income rather than gross national product would be the term—they are closely related. I think, as I recall it, that national income was the gross national product less one or two items like depreciation. It is the commonly used benchmark of the total activity in the country, and they have decided that it was the simplest statistical norm to use.

The CHAIRMAN. Are you sure that it was done on that basis, or maybe that it made a better showing?

Mr. ROSTOW. There is a very small difference between gross national income and national income. They are based on the same set of statistics. They are published in the Economic Report, in the Indicator.

The CHAIRMAN. I remember, Mr. Rostow, when you were before us last year, we discussed this to some extent. Although we had been giving of our wealth for 20 years almost, and these other countries had just started, we should keep going up instead of going down. That is what I cannot understand.

Mr. GAUD. We are not going up. You can set your mind at rest on that.

The CHAIRMAN. If we are not, if we would listen to you we would go up.

Mr. GAUD. You are right.

(The information is as follows:)

National income used by the D.A.C. countries is similar to net national product at factor cost. This includes the payments to the factors of production for the performing of various activities: wages, interest, profits and rent.

Senator MILLER. Will you yield at that point?

The CHAIRMAN. All right. I did not like to cut Mr. Freeman off. I did not expect to get into this hassle.

Senator MILLER. I would like to go back to my original question now, as to the fifth place of the United States on that list. I would like to ask you whether military assistance by the United States is included?

Mr. GAUD. These are economic aid figures.

Senator MILLER. But not military?

Mr. GAUD. Correct.

Senator MILLER. Then, which are those countries that are in the first four places?

Mr. GAUD. France, Portugal, Australia, and the United Kingdom.

Senator MILLER. With the exception of Australia, none of these countries are participating in any war now, are they?

Mr. GAUD. That is right.

Senator MILLER. Australia is participating to a very minor degree, and we are running into tremendous expenditures in South Vietnam for military assistance, and these other countries do not have any burden like that.

Mr. GAUD. No.

Senator MILLER. I am wondering if we should make any policy whereby the taxpayers are going to have to help throughout the world.

Mr. GAUD. I think that this is a question, obviously, on which reasonable men can differ. However, our gross national wealth or per capita income, however you want to describe it, is enormously more than that of almost any other country. In the United States, for example, the per capita income is something like \$3,600 a year, and in most of the other free countries of the world it would be around \$1,200 or \$1,300 a year.

Senator MILLER. How about the per capita?

Mr. GAUD. In Japan—

Senator MILLER. About the per capita debt?

Mr. GAUD. The per capita debt is higher here—no question about it.

Senator MILLER. It is much higher, is it not?

Mr. GAUD. Yes, sir. But the Japanese, for example, who are working toward a 1-percent figure—who have not got there yet—they have a per capita income per year of something like \$600 or \$700 a year. It seems to be it is a question of priority that you give to the job. It is true that we are spending a great deal of money in South Vietnam and that we have other very serious and pressing problems. It is equally true that for the last 4 years our gross national product has increased on an average of \$50 billion a year.

Senator MILLER. Are you referring to our real increase each year?

Mr. GAUD. No; these are the figures—this is not real—

Senator MILLER. Do you not think that we should talk about real increases?

Mr. GAUD. If you are talking—

Senator MILLER. Before our Joint Economic Committee, we have had testimony from witness after witness, and these are the key economists of this country, who have pointed out that the real gross national product increase is the only thing that counts.

Mr. GAUD. But if you are looking at foreign aid on an absolute basis, the amounts that we have been spending on foreign aid have been decreasing each year. If you factor into that the increase in prices, the decrease would be much more—it would still be more. So that the point that I am making here is that we are not increasing our expenditures in this field—they have been decreasing quite considerably—while the expenditures in this area in a good many other countries have been rising.

Senator MILLER. My point is that that does not look at the other side of the coin, namely, the tremendous volume of military assistance we are rendering to other countries. I do not believe that we have any apology to make to these four countries, any one of whom, to a very modest degree, is involved in bearing the tragic burden of the war.

Mr. GAUD. I agree with you. The question is not one of apologizing to other countries. The question is one that different people would answer in different ways.

The question is how important is it to us to continue to contribute to the development of the underdeveloped world. That is the basic question.

Senator MILLER. That, I would accept. I do not think that we should be put in the position of fifth place in this.

Mr. GAUD. I do think that when people talk about how much we are doing, that we are doing so much and all the rest of it, that it is interesting to note that whereas the United States a few years ago was the only country giving aid—and a few years later it was clearly No. 1 in the aid field—this is no longer true. There are a great many countries that have shouldered a part of this burden. It is not a matter of Uncle Sam being a sucker out on the end of the limb by himself. There is not a single country in the world today, on either side of the iron curtain, that can afford it, that does not have an aid program. Times have changed.

Senator MILLER. I think that is all to the good. I think it ought to be in the perspective of the fact that the United States is carrying alone the terrible burden of the war, and these other countries are helping to serve the burden of tragedy and need, but I do not think that it is meaningful to say that we are in fifth place in what we are doing for other countries.

The CHAIRMAN. Mr. Secretary, you may proceed. By the way, will you put in the record the data that you were looking at awhile ago?

Secretary FREEMAN. Yes, sir; in connection with the 5 percent?

The CHAIRMAN. Under section 103(b), the amount in this transition period, and the lag—just give us a little statement there indicating the progress that is being made and what is contemplated in the future. Of course, you have it percentagewise.

Secretary FREEMAN. Right.

The CHAIRMAN. In other words, the contracts have not been read into the record.

Secretary FREEMAN. But our projection, we will see that that is in the record.

The CHAIRMAN. OK.

(The information referred to follows:)

TITLE I, P.L. 480—TRANSITION TO DOLLAR SALES

The movement to dollar credit terms and ultimately to commercial dollar sales had been our goal even before the new Act. By the end of 1966 eighteen countries had signed agreements providing for payment only on dollar credit terms, ten for payment only in foreign currencies and six for payment partially in foreign currencies and partially in dollar credit.

The 1966 legislation gave increased impetus to the shift from payment in local currency to payment in dollars or local currency convertible to dollars. Of the 22 countries participating since January 1, 1967, only 4 had no dollar payment provision, and 6 countries were moved to dollar or convertible local currency payment in whole or in part.

Most countries receiving programs under dollar credit arrangements have continued to have similar arrangements. The proportion of the dollar credit in agreements with Tunisia and Israel has been increased from 25 percent to 50 percent; and Bolivia and Ceylon have been transferred completely to dollar payments. Agreements signed with both India and Pakistan for commodity delivery after July 1, 1967, provide for payment of 20 percent in currency convertible to dollars. Because of severe financial difficulties two countries, Afghanistan and Indonesia, reverted from dollar credit sales to sales with currency convertible to dollars. The agreement with China (Taiwan) reverted from dollar credit in order to provide currencies needed for U.S. uses (50 percent) and to make a grant to Taiwan so that it might continue to engage in international programs of technical cooperation with friendly countries in the development of food production and related agricultural development programs.

The attached summary shows the value of agreements signed in calendar year 1967 as follows:

	<i>Millions</i>
Local currency-----	\$912. 02
Convertible local currency credit-----	152. 57
Dollar credit (including PTE)-----	157. 33
Total -----	1, 221. 92

On a fiscal year basis we expect to move from 17 percent dollar credit and local currency convertible sales in 1966 and 1967 to 48 percent in 1968 and we are planning for 61 percent in 1969.

(For the attached summary table, see p. 20.)

Secretary FREEMAN. Continuing with my prepared statement, mid-way page 3:

In recommending the extension of this program we recognize that all Government programs must meet the test of whether they yield the results that Congress intended. Public Law 480 meets the test admirably.

The objectives of Public Law 480 are clearly set forth in the preamble to the act, as follows:

The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States.

Let's take that preamble and use its elements as a check list. Let's see how well Public Law 480 is serving us.

First, what has been happening to international trade in agricultural products?

During these 1960's, international trade in agricultural products has expanded steadily. Total world trade in agricultural products in fiscal 1960 was \$28.3 billion. In 1967 it was \$33.9 billion.

I do not know of any period in world history when the growth in international agricultural trade has been as great as that of these 1960's. A great share of this expansion has benefited the United States.

Senator HOLLAND. Does this mean an expansion in volume commensurate with the expansion figures that you get, or is the figure misleading in that we have had a decrease in buying power of the dollar that has to be figured into this also?

Secretary FREEMAN. These are constant-dollar figures and therefore reflect an expansion in terms of volume.

Senator HOLLAND. But the volume increase would not be commensurate with these figures if these figures do not reflect the change in the buying power of the dollar?

Secretary FREEMAN. The figures are constant prices using the average of the 1957-59 period.

The second part of our test of Public Law 480 has to do with developing and expanding export markets for U.S. agricultural commodities.

Here, again, there has been no period of American history in which we have done as well in our agricultural export marketing. Public Law 480 is among the important reasons.

Since fiscal year 1960 we have pushed total agricultural exports upward from \$4.5 billion to almost \$7 billion.

During that period, commercial exports—the part we sell for dollars—climbed from \$3.2 billion to \$5.2 billion, a gain of 62 percent. Shipments in this current fiscal year, both total and for dollars, are holding at high levels.

Senator HOLLAND. I hope you will have the same conversion made that we talked about as to the earlier figures.

Secretary FREEMAN. We will be happy to do it in terms of volume.

Senator HOLLAND. I think what we are really interested in, in checking on this program, is how much food we are giving to others or selling to others, as the case may be, and that the mere use of the dollar figure does not give that information.

Senator YOUNG. I think it would be well in presenting dollar sales figures if you would make a distinction between those that are for cash or are for commercial credit, which are about the same thing, and those which are on the long-term-credit basis. Could you do that?

Secretary FREEMAN. Yes; we can do that. But all of these, you see, the last paragraph on page 4, referring to the \$3.2 billion to \$5.2 billion. Those are commercial.

Senator YOUNG. Those are all commercial sales?

Secretary FREEMAN. They do not involve any Public Law 480.

Senator YOUNG. I see.

Secretary FREEMAN. They would include export sales under our CCC export credit arrangement, but they are not Public Law 480 at all.

Senator YOUNG. Then, I will withdraw my request.
(The information is as follows:)

SUMMARY TABLE—QUANTITY INDEXES OF U.S. FOREIGN TRADE IN AGRICULTURAL PRODUCTS

[Base calendar year 1957 through 1959=100]

Commodity or commodity group	Year beginning July 1						
	1960	1961	1962	1963	1964	1965	1966
EXPORTS							
Total animal products.....	105	110	112	151	139	115	107
Dairy products.....	74	81	103	152	125	80	-----
Poultry and poultry products.....	197	259	182	202	178	187	-----
Animal fats.....	115	120	112	154	142	110	-----
Meat and meat products.....	90	87	101	136	132	113	-----
Cotton and linters.....	137	93	71	100	88	61	90
Tobacco, unmanufactured.....	104	108	98	110	99	98	130
Grains and feeds.....	136	155	155	185	180	230	203
Vegetable oils and oilseeds.....	124	122	148	156	189	194	180
Fruits and vegetables.....	99	103	114	106	111	122	122
Total agricultural exports ¹	124	125	124	147	145	157	152

¹ Based on 327 classifications (includes commodities shipped as food for relief or charity by individuals and private agencies).

Senator MILLER. May I ask this?

I understand that during calendar year 1967, our favorable balance-of-agriculture exports over imports fell under \$2 billion for the first time in about 4 years. I think the figure was \$1.9 billion. It is still a favorable balance, but does that fit in with your understanding?

Secretary FREEMAN. Yes; it is a very favorable balance. The increased imports include a number of tropical items.

Senator MILLER. In that connection, I was going to ask if you would be good enough to include with the information for Senator Holland the imports, too, so that we can get a picture of how the imports have gone up during this period of time. But, in any event, the imports, as I understand it, fell somewhat last year but our exports fell even more, so that our favorable balance was down under \$2 billion for the first time in about 4 years. I think the figure is \$1.9 billion, which is a favorable balance, of course. Now, at the same time, is it not true that of that \$1.9 billion we should take into account that about \$1.6 billion is not in commercial trade, which would leave us only about \$300 million commercial sales, a favorable trade balance?

Secretary FREEMAN. No; I do not think that that is correct. I think that the total of favorable balance-of-payments effect is \$1 billion or more. We need to include in the figure about \$600 million as straight commercial trade advantage as well as \$500 million or more which is the combination of U.S. use of Public Law 480 currencies which has a direct balance-of-payments implication and bartering for off-shore procurement. So that the net contribution of our agricultural trade to our balance-of-payments position is \$1 billion, roughly.

Senator MILLER. Are you saying that we did not have \$1.6 billion in noncommercial sales?

Secretary FREEMAN. No; the level of Public Law 480 was about \$1.6 billion.

Senator MILLER. That is right. Well, that \$1.6 billion is not going to ease our balance-of-payments problem at all.

Secretary FREEMAN. It is not included in the balance-of-payments figure. It is only to the extent that dollar purchases of local currencies from previous years' agreements make a contribution.

Senator MILLER. But it is included in the total of exports; is it not?

Secretary FREEMAN. In the \$7 billion export figure?

Senator MILLER. Right. And since we take into account the \$7 billion which includes the \$1.6 billion, and then we offset that by the imports—

Secretary FREEMAN. No; we do not.

Senator MILLER. We do, if we are going to get to the \$1.9 billion favorable balance-of-agriculture trade, Mr. Secretary.

Then, I suggest to you that the \$1.9 billion ends up as being only about \$300 million in true commercial sales balance-of-payments impact—favorable balance-of-agriculture trade.

Secretary FREEMAN. May I just refer to my own testimony?

Senator MILLER. Will you check that?

Secretary FREEMAN. Let me get my own testimony in here, and then I think we might save an amount of time.

A very important reason for this spectacular gain is the market development program which is financed out of Public Law 480 foreign currencies.

I would like to comment on the significance of this export success story to our farm and city people, and to the Nation.

For American farmers, exports make up a big and expanding outlet for their production. Our farmers now export two-thirds of their annual milled rice production; over half of their wheat production; a third or more of their grain sorghums, soybeans, cotton, and tobacco; more than a fourth of their flaxseed, and nearly a fourth of their corn; and so on for a large number of other important commodities.

Last year, American farmers harvested 70 million acres for export—1 acre of every 4.

In the absence of export outlets of this magnitude, the problems of acreage adjustment and the support of farm income in our domestic program would be infinitely more difficult.

The benefits of exports are shared by nonfarm people, as well. Hundreds of thousands of workers and businessmen across the country owe part or all of their incomes to the activities created by agricultural exporting—handling, transporting, warehousing, processing, packaging, freight forwarding, insuring, financing, and related activities. Exporting has, in itself, become a vast industry.

Then, there is the matter of balance-of-payments benefits.

It is not generally known but it is a fact of which we should be very proud that American agriculture, through its export earnings, is today doing more than any other segment of the Nation to hold back the critical outflow of dollars.

The contribution of American agriculture is relatively new. In the early 1960's there was an unfavorable balance in our commercial agricultural trade. Our country's expenditures for agricultural imports were larger than the earnings from agricultural export sales for dollars. At that time nonagricultural exports—machine tools, airplanes, chemicals, and hundreds of other industrial items—were carrying the load in our balance of trade.

In the past 2 years, however, this situation has been sharply reversed.

Senator HOLLAND. I want to commend you on those last three paragraphs. I think it is fine that the Nation generally recognizes that agriculture is making a tremendous contribution—

Secretary FREEMAN. Thank you.

Senator HOLLAND (continuing). In our export business, aside from any humanitarian reasons whatever. And I think that you have made the point well in those three paragraphs.

Secretary FREEMAN. Thank you, Senator Holland.

Senator YOUNG. If there is some claim for a socialistic tendency, it is a pretty efficient operation.

Secretary FREEMAN. I would rise to disagree with that label, as you well know—as you would.

In 1966 our country's nonagricultural sector had a trade deficit of \$470 million; our agricultural sector had a net commercial trade plus of \$982 million.

In 1967, our nonagricultural trade had a deficit of \$300 million; our agricultural trade had a plus of \$585 million.

Nor is this the total picture. There also are certain financial benefits coming directly from the Public Law 480 program in the form of avoided dollar expenditures, and these have the same helpful effect on the balance of payments as dollar earnings. I am thinking specifically of the way our Government is able to use foreign currencies generated under Public Law 480 to pay various U.S. expenses abroad, including embassy costs, market development financing, and many others. In 1966 these dollar returns came to \$169 million. In 1967 the returns were \$331 million.

So I would emphasize again that our agriculture exports have become a tremendous national asset. It is our agriculture right now that is keeping our Nation's overall commercial trade balance on the favorable side. Public Law 480 is helping agriculture to make this contribution. And as Public Law 480 contributes to economic growth in recipient countries it builds future commercial markets for American products.

The third part of our test of Public Law 480 has to do with such economic development. Is the program mainly a crutch for the less developed countries—or is it providing strength to help them stand on their own feet?

This is a critically important question, and it is one that I would answer by saying Public Law 480 is helping a large number of recipient countries to improve their self-reliance, especially as we operate under the new self-help requirements of the program.

A good test of economic development is a country's improving ability to buy the things it wants in the commercial marketplace. Already a number of countries that once received food aid have become important commercial customers.

The classic examples are, of course, Japan, Italy, and Spain. Under Public Law 480 and earlier aid programs, they received considerable assistance. Today they are among our best cash customers.

Japan in 1956 imported \$370 million worth of American farm products, a third of it under Public Law 480. Today, Japan is buying a

billion dollars worth of our farm products annually, all of it for dollars, none of it under Public Law 480.

Italy in 1956 imported \$114 million worth of our farm products, nearly a third under Public Law 480. Now Italy's purchases are approaching \$300 million a year, for dollars, none under Public Law 480.

Spain in 1956 imported \$125 million worth of our farm products, practically all under Public Law 480. Ten years later these imports had grown to \$200 million, practically all for dollars, none under Public Law 480.

Public Law 480 came to these countries at a critical time in their economic development. They were ready to carry out their own self-help programs but they needed some help in getting started. Once started, they have moved forward on their own momentum.

I would like to cite three more countries. These also are dramatic in their transition from aid to trade for the reason that they started with less and have had further to go. They are Israel, Taiwan, and South Korea. I will illustrate with their purchases of wheat.

In fiscal year 1962, Israel got 166,000 tons of U.S. wheat under Public Law 480 and bought 105,000 tons commercially. Last year Israel's wheat purchases under Public Law 480 were cut in half and her commercial buying was expanded by almost half.

Taiwan's wheat imports under Public Law 480 were 325,000 tons in 1962 and dropped to zero last year. At the same time, her commercial buying of our wheat rose from 9,000 tons to 280,000 tons.

During this same period, South Korea's Public Law 480 wheat imports dropped from 337,000 tons to 331,000 tons, while her commercial imports of wheat went up more than 13 times, from 26,000 tons to 341,000 tons.

This matter of economic development is extremely important to our own export promotion efforts. It is only through economic development that a poor nation can become even modestly affluent. It is only through economic development that a developing nation can improve the buying power of its citizens and thereby make the transition from aid to trade.

Our Economic Research Service has tested this relationship between economic development and consumer buying power, with some interesting results. Based on 1964 data, we found that countries with per capita incomes of more than \$600 a year—such as Japan and in Western Europe—bought commercially \$7.88 worth of U.S. farm products per person per year. Countries with a per capita income of \$200 to \$600, such as Venezuela and Brazil—bought \$4.18 worth per person. And countries having per capita incomes of less than \$200—such as India, Pakistan, and some others in Asia, Latin America, and Africa—bought only 30 cents worth of our farm products per person.

There are 22 countries that now buy only 30 cents worth of our farm products per capita per year. They have a combined population of 835 million, four times the size of our own population. If each of these people last year had been able to spend just \$1 in buying our farm products—and believe me, these people would like to buy more from us if they could—we would have exported \$800 million additional farm products and our export total for the year would have

come to more than \$71½ billion. If they had spent \$2 apiece more for the food and fiber products they would like to buy from us, our exports for the year would have approached \$81½ billion.

I have referred to the underdeveloped countries in the aggregate as a sleeping giant which, once aroused, will be the largest market in the history of the world. But this sleeping giant will awaken only when stimulated by the increased buying power that comes with economic development.

This is why our self-help requirements are of such importance.

An indispensable key to general economic development anywhere is agricultural development. I do not know of any really progressive country anywhere in the world that has a backward agriculture. The two go hand in hand—as a matter of fact, agricultural development must precede and serve as a base for industrial development.

We have strong evidence that this agricultural development is taking place, and some of this evidence appeared recently in our annual world agricultural situation report, which says:

The past year was one of record output for world agriculture and, most significantly, a record for the less developed world. Per capita agricultural output in the less developed countries (excluding Communist Asia) increased about 5 to 6 per cent in 1967, a recovery to the level of 1964 or slightly above. In particular, most of the developing countries with large populations—India, Pakistan, and Brazil—made substantial gains in the production of grain and other foods.

I am not trying to say that Public Law 480 with its many features, including strengthened emphasis on self-help, was entirely responsible for this bumper world crop. In many areas, bad weather gave way to good weather and growing conditions were excellent. But I will say that a good crop in many countries were made even better because of improvements stimulated by the self-help emphasis that Congress wrote into Public Law 480 in 1966.

India's record harvest, for example, is due not only to good weather but to the much greater emphasis India is now giving to agriculture. India has provided incentive prices for its farmers and has doubled its use of improved, high-yielding seed and almost doubled its availability of fertilizer. In these, and many other helpful developments in Indian agriculture, there is no question but what American assistance programs—including food, technical, and economic aid—have played an important role of stimulation and support.

The CHAIRMAN. Particularly with reference to India, do you not think it might be a good idea to use more of her own rupees out there to loan to farmers so that they can obtain more fertilizer and more pesticides and better seeds?

Secretary FREEMAN. Yes, sir; I do.

The CHAIRMAN. Do you have any suggestion to make as to how we can improve that situation?

Secretary FREEMAN. Well, pursuant to the amendments made to the law by this committee we have launched a program in this direction, and it, again, has not become fully operative in all respects but strong emphasis is being given to them, and I think that they will provide an important stimulus to this agricultural economy.

The CHAIRMAN. Is there any way to improve that, in your opinion?

I notice that you are suggesting that the act be renewed as is, without any further amendments.

Secretary FREEMAN. I do not think of any legislation that would permit it.

The CHAIRMAN. Do you think we have enough flexibility in the act whereby you can do this?

Secretary FREEMAN. I think it does this more directly under the operations of Mr. Gaud, and he may have some comments on that.

The CHAIRMAN. We will get to him later.

Senator HOLLAND. I would like to ask one question. Why have you not mentioned improved and enlarged irrigation much of which has been made possible by our help?

Secretary FREEMAN. Only because of space limitations. This is a very important factor. There is no question about that.

The CHAIRMAN. Another thing, Mr. Secretary, while you are at it: As you recall, last year, we attempted to write into the law a provision which would limit our food donations and operations as to what other countries did. The section of the law does not make it obligatory. It simply provides that the President shall use his best efforts in order to obtain other countries to share in assistance to the starving people. It has always been my contention that the idea of assisting people is an international problem. As a matter of fact, we do not owe anything to India, nor to Pakistan, except we feel, from a humanitarian standpoint, that assistance should be given to them. They have people starving.

Do you think the time has come when you can make it more realistic in putting in this act that would limit our donations and our credit terms dependent upon what other countries do?

In other words, as you remember, we put in a figure last year of 40 to 50 percent that the United States would be willing to contribute toward assisting people, provided the rest would be furnished by people capable of doing it, either by way of furnishing currency or tools and pesticides and things of that kind; in other words, what I think we ought to try to do is to try to shift this humanitarian problem from the back of the United States, as it has been in the past, almost entirely, to letting other countries share in this contribution.

Secretary FREEMAN. Let me comment on that, and then turn to Mr. Rostow.

First of all, let me just say that, certainly, in part, because of the emphasis by this committee and the President's strong agreement with the policy that these obligations should be shared, that this need should be met by other nations as well as the United States, there was negotiated, as you are well aware, Mr. Chairman, a provision in the Kennedy round to provide for a 4½ million-ton resource of grain to be made available by the countries that are signatory to that agreement, to be used to meet these humanitarian needs around the world. This is a very substantial step forward in that direction.

In addition, where India was concerned, why, very strong efforts were made. And Mr. Rostow traveled literally around the world working on that, and there was a very substantial sharing. I think that is clearly established, as a matter of policy; and I would think—I do not have any proposals or amendments before me, but such amendments will not be necessary and, conceivably might even create prob-

lems if written in the law as such. Do you want to comment on the consortium on wheat?

Mr. Rostow. Yes; I will report this briefly to you. This exercise which we had last year was discussed here very thoroughly at the time. I think it worked out very well. I think that our targets were substantially met. I think that the Kennedy round agreement, which is before you now as a part of the International Grains Arrangement, represents great progress in that direction. As Mr. Gaud said, there has been a steady movement over the years which our Government has sponsored and encouraged toward internationalized aid, generally, and particularly in the field of food. We had a very good response in a special emergency program for India, and our target, as I say, was very close to being met. I think the decision of the committee and the Congress not to make a fixed percentage mandatory was justified in the event, because each country had a different problem in finding funds and means of cooperating. The whole effort precipitated changing aid policies in Italy, in France, and in the Netherlands, which facilitated the flow of commodities to match our food aid. I think, as Secretary Freeman has suggested that a mandatory provision might have been counter-productive whereas the aid target in the negotiations was extremely helpful. We had good cooperation from all of the countries concerned, each one trying in his own way, in terms of his own appropriations and pipelines and availability to cooperate in this effort. And the consortium referred to here accepted the target of the special food aid program as an addition to the regular consortium program.

We think the situation as it is now is a very strong policy which limits our own participation and encourages international cooperation—which has been met with an excellent response among these countries—I am inclined to think that a mandatory provision in the law, fixing the percentage, would not help in the negotiating process and it might hurt in special emergency situations such as the one we had during the drought in India last year.

The CHAIRMAN. Well, now, Mr. Rostow, could you be a little more specific and make available for the record the amounts of food necessary and how other nations of the world contributed to that?

Mr. Rostow. I have a paragraph in my prepared statement on the Indian food exercise last year, but I can amplify that to any extent you like.

The CHAIRMAN. Well, as you recall, we thought that all countries of the world that are able—and there are many—should contribute to this worthy international problem, and if you would be a little more specific and put into the record what the amount of food necessary, how it is to be furnished and by whom, it would be helpful.

Mr. Rostow. Sure. I can give you a pretty clear statement now, if you would like it.

The CHAIRMAN. That is in your statement?

Mr. Rostow. Yes.

The CHAIRMAN. We will get to you in a little while.

Senator HOLLAND. May I ask a question of Mr. Rostow?

The CHAIRMAN. Yes, sir.

Senator HOLLAND. With the new level of prices in the world sale of wheat as proposed by the new agreement that came out of the Kennedy round on the sale and distribution of wheat and other grains under

Public Law 480, it is my understanding that, although the agreement has not reached the Senate yet—so far as I know it might be in the Foreign Relations Committee—the level of prices is raised—and assuming the ratification of that agreement—how will it affect Public Law 482 programs as to these food grains?

Secretary FREEMAN. I will be happy to respond.

I do not think it will affect it at all. Basically, it will hold the price at about, we hope, the current world price level, at about 20 cents higher than it otherwise could have been under the old international wheat agreement. I do not think it will involve any additional cost under Public Law 480, and I do not think it will have any direct effect on the volume under Public Law 480. It will protect the wheat farmers' income, and, if it works as we hope it will, it will prevent the world price from dropping as far as it otherwise could clearly drop.

Senator HOLLAND. I am glad to hear that. I was glad about this proposed new treaty. I think it amounts to that. It might raise the price of our food or feed grains—whether it covers more than wheat, I do not know. I have not seen the agreement.

Secretary FREEMAN. Just wheat.

Senator HOLLAND. I am glad to hear that it does raise the proposed minimum price by 20 cents.

Secretary FREEMAN. That is correct.

Senator HOLLAND. And yet it occurred to me that it might have some effect, either desirable or undesirable, on Public Law 480 programs.

Secretary FREEMAN. No; I do not foresee that it will have any direct effect on the Public Law 480 program one way or another. I suppose that we could say that if we got into an international price war on wheat which could certainly happen in the absence of an international wheat agreement, that you would have lower wheat prices and, as such, Public Law 480 programs might cost less, but there will be a host of bad effects from that, as you have just indicated, which we need to prevent; and, therefore, this agreement, as negotiated, I do not think will affect Public Law 480 one way or the other.

Mr. Rostow. I think I might add one word. It will affect our economic position in another way, which is entirely favorable, and that is the Food Aid Convention, under that treaty, provides for the establishment of a fund to which the consuming-importing countries will contribute cash to cover some part of their shares which will be used for the purchase of wheat.

Senator HOLLAND. In other words, instead of some countries sharing the whole load, the consuming countries, if ratified, will do what Senator Ellender has been talking about—contribute more to the program.

Mr. Rostow. That is right.

Senator HOLLAND. I yield to Senator Young, because he has much more knowledge of this wheat situation than I, but when I heard the terms of this agreement, it seemed to me that it could not help but be helpful insofar as the sale of our wheat was concerned, but that it might have a different effect on our Public Law 480.

Mr. Rostow. Well, probably we will sell a little more on commercial terms.

Senator YOUNG. I appreciate the compliment but I am a long ways from being an authority on this subject.

To the extent that this raises the world price of wheat it will reduce export subsidies necessary to export wheat; will it not?

Secretary FREEMAN. That is correct.

Senator YOUNG. This will be one of the beneficial effects?

Secretary FREEMAN. It will be a beneficial effect; that is right.

Senator MILLER. May I ask one question?

The CHAIRMAN. Yes.

Senator MILLER. I believe you said if it was not ratified we might have a price war which would reduce the price of wheat which, in turn, might cost the Public Law 480 program less; is that right?

Secretary FREEMAN. That is correct.

Senator MILLER. By the same token, however, if the price increased, might this not cost Public Law 480 programs more?

Secretary FREEMAN. Yes.

Senator MILLER. And then further, if the price is increased enough to encourage other countries which are producing to produce even more, might it not have an adverse impact on our exports?

Secretary FREEMAN. This is the big question that no one can resolve and no one can answer with a flat "Yes" or "No." We do think that a price near the top possible under the arrangement would have the effect of stimulating production. On an economic basis, we believe that, but also all of us realize if that happens the agreement will not work and there will be an international price war with all of the disastrous circumstances. So, there is involved in this implicitly a kind of international supply-management agreement that will have to see whether it is adhered to by other countries as well as the United States.

Senator MILLER. In that connection, I have heard it said that since France has started to subsidize their own wheat to their farmers tremendously, that if this was ratified, this would mean that they would have to subsidize their wheat farmers less and it would cost the French Government considerably less for their own wheat production in their country.

Secretary FREEMAN. I do not think that is true, because it will not make that much difference on world prices now. It will prevent a large production—the production forecast, absent disastrous weather circumstances, will be such that there is little likelihood of a real sharp world price increase, but there is a very great likelihood, as of now, of a very sharp downward break in price in the absence of some machinery to prevent that break. So, I do not think it will have much effect. The French are subsidizing through the EEC their wheat exports, to the extent that they can find markets. They are doing that enormously already, and it will not have any effect on that one way or the other.

Senator MILLER. Will you or one of the other witnesses tell us whether or not the U.S. Senate could ratify the food-aid convention without having to ratify the international wheat agreement?

Secretary FREEMAN. No; it could not be done.

Senator MILLER. They are part and parcel of the same thing?

Secretary FREEMAN. They are part and parcel of the same proposition.

Senator YOUNG. On this subject, I would like to ask another question or two.

Canada is the second biggest wheat exporting country.

The price that their farmers receive now is above the world market price. Most wheat exporting countries subsidize their exports in one way or another?

Secretary FREEMAN. That is correct.

Senator YOUNG. They all do that. There may be a few countries where a little increase in price, like in the Argentine, might encourage a little more production, but I doubt if this would be sizable or significant.

Secretary FREEMAN. I would agree that this is the part that is argued by those who oppose the International Grains Arrangement; particularly, some elements of the grain trade argue very strongly that it will result in having a minimum price that will stimulate increased production. There are very reputable economists who think that is not true, but in any event I would repeat that I think that every country is on notice in the International Grains Arrangement that it provides by its terms that if other countries break through the price minimum, there is machinery to appeal that procedure and to act accordingly to meet that competition. And we have made it clear to other countries in no uncertain terms that the United States is not about to be a residual supplier, and if they are unwilling to cooperate, to make this agreement work, even if it involves some supply management proposition, why, they are put on notice that we are going to be in there competing for those markets and we are going to get our fair share and our historic share and without any ifs, ands or buts about it.

Senator YOUNG. Even with this increase in the world price made possible under the International Grains Arrangement, this is a dollar a bushel less than the consumers are paying in practically every European country now?

Secretary FREEMAN. That is correct; that is correct.

The CHAIRMAN. Proceed, please.

Secretary FREEMAN. The fourth, and last, part of the Public Law 480 preamble on which I would like to comment is the program's importance in promoting U.S. foreign policy.

President Johnson, in his foreign aid message of February 8, spoke of the great truth upon which all our foreign aid programs are founded:

Twenty years ago,

Said the President—

America resolved to lead the world against the destructive power of man's oldest enemies. We declared war on the hunger, the ignorance, the disease, and the hopelessness which breed violence in human affairs.

We knew then that the job would take many years. We knew then that many trials and disappointments would test our will.

But we also knew that, in the long run, a single ray of hope—a school, a hybrid seed, a vaccination—can do more to build the peace and guard Americans from harm than guns and bombs.

It is hard to measure on an input-output scale what Public Law 480, with its food aid and development assistance, has done to promote our Nation's foreign policy. But I would like to turn this around

and ask what would have been the negative effect if we had denied to struggling nations these things we have made available?

What if we had remained aloof during their years of need?

What if we had held back the thousands of shiploads of food that have kept millions of hungry people alive?

What if we had not, through Public Law 480, generated the many millions of dollars worth of local currencies which have built dams and schools in countries sorely needing them?

And what if these funds had never been available to strike the spark of life and provide much of the financing in our own export development program?

What if, in our companion assistance programs, we had told people around the world that we would not share the secrets of our own agricultural success? That we would not consult with them on how to set up a research station? Or agricultural college? Or fertilizer factory? Or irrigate their lands?

But instead we have provided them these things. We have shared to a degree that is unprecedented in human history. We have been providing them, within our abilities, those rays of hope which more than anything else help to build the peace and help to guard America.

And, within our abilities, we must continue to do so.

Mr. Chairman and members of this committee, I think Public Law 480 is doing a magnificent job for our Nation and for our friends abroad.

I fully support the extension of the present law for 3 years and I earnestly hope that it will be approved in the near future by this committee and by the Congress.

The CHAIRMAN. Mr. Secretary, there are two questions that I would like to ask you: You feel that you have sufficient authority in the act as it is now the law to get people who obtain food from us to use that food in lieu of local currency to pay for what is done on public works; in other words, the same as we have in Tunisia?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. The suggestion has been made here, and, of course, I have always been for that, I thought it was a good use that could be made of it, in that way it makes the people earn it, and you say that you feel that you have sufficient authority to do that?

Secretary FREEMAN. Yes, I think there is sufficient authority to do that.

The CHAIRMAN. Another question that arose, not only during these hearings but in the past, that since we have had surpluses in the past, that the countries would expect to get from us easy terms or by way of gifts, or both, much of their requirements from other countries for money, cash, in the hope that we would be the residual supplier and that we would come to their rescue. I have been thinking of this. I would ask your opinion about it. Would it be feasible for us to put in the law or have something done to carry this plan out, that all those who obtain food from us, either by way of grants or by way of easy credit, that if they purchased, say, an X number of dollars of food from other countries, that we should have our just share of the purchases made by that country? In other words, if India, for instance,

is in need of an X number of bushels of wheat and she gets from us quiet a lot on easy terms but yet goes out and purchases for hard currency from other countries, some of us believe that we should have equitably in those purchases, and it strikes me that is a good idea. I have talked about it the last year, but we could not devise any language at the time to carry this out. But it strikes me that if the countries we have served are able to buy part of their food for hard currency, that we should share in that; that they should buy from us, too, and we ought to make their capability of buying a part of the assistance we give to them.

Secretary FREEMAN. I certainly share in the objective; but I would be happy to submit for the record what has taken place in this respect in these 2 years where I think the countries in question, without having put it into the law, have been substantial traders with the United States. Both India and Pakistan, for example, have bought substantial quantities of wheat, commercially, here. I think that if you try to write this into the law, it would be misunderstood and would do more harm than good.

The CHAIRMAN. The idea is to call their hand; at least, to make them buy from us in proportion to what they obtained from us on easy terms, because in the past, as you know, many countries depended on us and have treated us as a residual supplier of goods. They would get all they could from other countries and then come to us with easy terms and get the balance that was needed.

So, I wish you would put in the record something on that.

Secretary FREEMAN. I will put that in the record. I hope, and I believe you will agree, that there has been progress in this respect and that these countries have recognized that turnabout is fair play and that they should consider commercial business here as well as the concessional.

The CHAIRMAN. If we can, at this time, devise any language to put into the law; we might put something in the report if we cannot put it in the law.

Secretary FREEMAN. That could be done.

The CHAIRMAN. And with the facts and figures that you furnish us, we can use that as a basis.

Secretary FREEMAN. Very well, sir.

(The information referred to follows:)

U.S. PUBLIC LAW 480 AND COMMERCIAL EXPORTS OF COTTON TO SELECTED COUNTRIES, 1961/62-1966/67

[In thousands of bales]

Country	1961-62		1962-63		1963-64		1964-65		1965-66		1966-67	
	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports
Bolivia.....	5	0	5	2	7	0	2	4	4	0	4	6
Chile.....	12	2	23	1	0	0	0	2	0	0	0	3
China (Taiwan).....	115	113	120	115	69	140	135	62	71	114	176	182
Congo, Republic of.....	0	0	0	0	0	0	22	5	22	3	8	2
Ethiopia.....	11	1	10	5	7	2	0	3	15	4	0	9
India.....	143	54	282	55	189	0	242	121	11	84	117	150
Indonesia.....	6	34	34	20	22	2	0	47	0	0	145	16
Korea, Republic of.....	234	15	267	14	229	43	243	49	235	87	173	168
Morocco.....	10	4	0	7	6	8	6	8	0	12	1	12
Pakistan.....	36	0	8	2	10	0	0	0	0	0	0	3
Philippines.....	116	37	48	62	10	109	5	91	6	95	0	134
Poland.....	93	24	57	27	84	48	0	67	0	42	0	77
Spain.....	152	3	0	0	0	14	0	19	0	19	0	71
Tunisia.....	0	0	0	0	1	1	2	17	10	3	2	12
Vietnam, South.....	29	0	33	0	73	3	48	1	52	3	55	37
Yugoslavia.....	129	9	160	1	49	0	75	61	104	20	139	44
Total.....	1,091	296	1,047	311	756	372	788	548	530	489	820	856

U.S. PUBLIC LAW 480 AND COMMERCIAL EXPORTS OF WHEAT TO SELECTED COUNTRIES, 1961/62-1966/67

[In thousands of metric tons]

Country	1961-62		1962-63		1963-64		1964-65		1965-66		1966-67	
	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports	Public Law 480	Commercial exports
Bolivia	83	10	130	4	101	9	95	40	97	4	442	5
Brazil	1,143	288	1,055	353	713	546	1,080	33	268	628	26	672
Colombia	1,496	52	3,432	774	51	119	52	95	20	234	26	121
India	1,991	560	3,436	115	4,451	8	5,902	1	7,266	3,927	3,927	184
Iran	122	105	194	12	149	64	252	35	221	63	40	109
Israel	166	26	671	75	139	85	588	93	188	50	82	145
Korea	337	35	179	14	153	85	597	23	547	7	331	341
Morocco	423	35	1,389	14	1,636	138	1,767	82	215	132	440	69
Pakistan	675	118	5	127	17	138	15	204	15	204	209	209
Peru	89	246	21	180	27	238	25	211	19	425	471	471
Philippines	6	9	351	15	298	15	316	74	16	124	280	280
Taiwan	325	9	351	15	298	15	316	74	16	124	280	280
Tunisia	358	30	220	34	82	8	164	1	43	25	98	44
Subtotal	5,814	1,524	7,866	1,036	8,343	1,230	10,587	688	9,756	1,895	6,355	2,650
Other	6,426	153	5,167	346	4,401	420	4,513	99	4,711	454	5,169	1,132
Total, all major	12,240	1,677	13,033	1,382	12,744	1,650	15,100	787	14,467	2,350	11,524	3,782

The CHAIRMAN. Are there any further questions of the Secretary?

Senator YOUNG. I would only like to say that this program is a whole lot more helpful to the whole economy than a land retirement program which is an alternative way of holding down the surpluses.

I think that we are a whole lot better off to produce, even if we have to give away part of it, than to spend a large amount of money to retire land. Further, it is becoming very difficult to get funds for land retirement programs. We had an experience on that last year, as you know. The Senate approved funds for new contracts under the cropland adjustment program, but the House refused to accept it. With the emphasis now on economy, it seems likely that they will be cutting the agricultural budget some more. If they do this and it affects the land retirement and diversion programs, it will mean that we will have bigger surpluses and nothing to be done with them. So, I think that the need for this program is greater today, both to help our own economy and to help people abroad.

Secretary FREEMAN. May I comment on that by saying that I certainly agree, but I would add that we are going to need, for the foreseeable future, both programs because our productivity has grown very rapidly and to have a balance here which is going to be economically sensible and, by the same token, to make the widest use of this productive potential, will take a careful management and will require both kinds of programs.

Senator YOUNG. I agree with you.

The CHAIRMAN. There is one more question that I failed to ask you awhile ago when I mentioned the 20-year term credit.

We had testimony here a few days ago that indicated that the dollar sales credit declined from \$311 million in 1966 to \$139 million in 1967.

I wish you would have someone look up the record on that, and if that is the case, how did that happen—what is the cause of it.

Secretary FREEMAN. Let me check that, if you will. I do not think that we have those figures here.

The CHAIRMAN. Whatever it is, put it in the record.

That was testimony that was given. I thought that it substantiated my point of view that we should have shorter terms instead of the longer terms.

Secretary FREEMAN. Very well.

(The data referred to follows:)

Dollar credit sales programs signed in CY 1967 had a total export market value of \$157.33 million. This compares with \$299.99 million for CY 1966. The decline can be attributed to the following factors:

1. No programs were possible in 1967 with Algeria, UAR and Yugoslavia; sales to these countries in 1966 amounted to \$95.69 million. In early 1967, a sizable sales proposal for Algeria was aborted on an issue involving expropriation of American property and by mid-year both it and UAR had broken relations with the United States. Sales programs with Yugoslavia were barred in 1967 under amendments in the 1966 extension of P.L. 480.
2. The Brazil program which in 1966 amounted to \$63.72 million dropped to \$35.95 million in 1967. The 1966 Philippines sales agreement valued at \$20 million was signed December 22 of that year with delivery taking place in 1967. For this reason, there was no Philippine agreement in 1967. The East African group consisting of Kenya, Tanzania and Uganda signed \$6.86 million worth of agreements in 1966 but made no requests in 1967.
3. Afghanistan and Indonesia, which were dollar credit countries in 1966, were permitted to buy under local currency convertible terms in 1967 because they suffered severe declines in foreign exchange holdings. Sales

agreements in 1967 for these two countries had a combined total value of \$26.95 million.

If the countries mentioned above had signed agreements in 1967 of equal size as those in 1966, the 1967 dollar credit sales transactions would have totalled slightly higher than the 1966 total.

The 1966 amendments to P.L. 480 introduced the convertible local currency program which is considered a form of transition to dollar credit in that repayment is scheduled in the form of dollars or convertible currencies. The \$152.57 million worth of such sales agreements entered into in 1967 replaced to a large extent, transactions formerly made for local currency and should be considered in the same general category as dollar credit sales.

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

Senator MILLER. I want to say how thoroughly I agree with the statement that you made that agriculture must proceed if we are to have industrial development. I just received a copy of the report from Ambassador Bowles as to the truth of that statement with respect to India, that there should be primary emphasis on agricultural development. I was wondering, in connection with India, do you have any figures as to the amount of food that probably will be required for shipment to India during the next 2, 3 or 4 years?

Secretary FREEMAN. No. It is very difficult to make any very hard projections, because of the very rapid shifting of conditions in India. It is just involved in our basic questions as to the level of stocks and the elimination of food zones, and a lot of other factors that you are thoroughly aware of. I would hesitate to try to come out with any hard numbers, except to say that I think that we will need to continue to give rather substantial assistance to India. One year does not make a fortune. And, hopefully, they will be able to develop some reserves, and this will be a great forward thrust in their economy, but I hate to talk numbers right now.

Senator MILLER. As I understand it, they expect to have over 100 million tons of food grain production in the current crop year, and that this is adequate from the standpoint of self-sufficiency of the people in India. Nevertheless, we are continuing to export Public Law 480 shipments to them so that they will be able to acquire buffer stocks up to 6 million tons.

Secretary FREEMAN. That is correct.

Senator MILLER. Looking down the road and recognizing that just because of the 100 million tons of production, that does not mean that it will be distributed where it is needed, but looking down the road, if they have a break on their monsoons and continue to forge ahead as they are, certainly, in the use of hybrid seed and fertilizer, it would seem that we might well hope for the continuance of 100 million tons or more production a year. If they have the buffer stocks of upward of 6 million tons, as the result of our assistance, I am just wondering if we may be pretty close to the point where we will not have to ship any food aid?

Secretary FREEMAN. That certainly is their goal and their target, and they have set the year 1971 as the time of their food-sufficiency if at all possible.

Senator MILLER. Do you share my hopes that they will be able to do this?

Secretary FREEMAN. I certainly share your hope. I am equally cautious, as you are, in predicting that with any assurance.

Senator MILLER. I would like to get back to this figure of \$585 million on page 6, representing agricultural trade plus in 1967. Is that \$585 million in short-term commercial sales? Does that have, for example, for all practical purposes, an impact on our balance of payments in 1967 of \$585 million, or is there some of that that carries over for more than a year?

Secretary FREEMAN. Very little. The figure includes actual purchases under the CCC credit program on commercial terms.

Senator MILLER. Do you know how much of that there would be?

Secretary FREEMAN. I do not know, offhand.

Senator MILLER. Would you supply that for the record?

Secretary FREEMAN. We can do that, and we will be glad to do so. (The information follows:)

Total commercial agricultural exports in 1967 totalled \$5.2 billion of which \$340 million represented purchases under the CCC Export Credit Sales Program. Nearly \$200 million of the \$340 million were payable within one year (more than \$100 million—within six months).

Senator MILLER. I will now come to Mr. Rostow, on the next question.

The CHAIRMAN. Senator Byrd has some questions.

Senator BYRD. I have no questions of the Secretary. I do have some questions of Mr. Gaud.

The CHAIRMAN. You are next, then, Mr. Gaud.

Mr. GAUD. Mr. Chairman and members of the committee, in the interest of saving the committee's time, if it is agreeable to you, perhaps I could submit this for the record rather than read it—if that is satisfactory.

The CHAIRMAN. If you will highlight it, so that we know what it is.

Mr. GAUD. All right, sir.

I want to second completely the recommendations that have been made by the Secretary. We, in AID, have found, and still find, Public Law 480 an extremely good adjunct to what we are trying to do. Because of its self-help provisions—and the Department of Agriculture and ourselves work together in requiring self-help performance from these countries to which we give assistance, both food assistance and otherwise. Because of the local currency, that is generated by Public Law 480 sales, which is used in many ways to support our programs. Because of Cooley loans. Because of the title II provisions which provide food-for-work projects and also for humanitarian programs, both of ourselves and voluntary agencies.

In AID today top priority in all of our programs goes to two things: One is increasing agricultural production, and the other is encouraging and supporting family planning programs, trying to help these countries reduce their rapid rate of population growth.

To give you some idea of the extent to which we are concentrating our agricultural production, of the \$800 million total amount we are requesting from the Congress, one-third of our total budget request goes to the direct support of agricultural programs.

In addition to that, of course, many of the loans that we make, much of the technical assistance that we offer these countries, indirectly supports agricultural production.

Agricultural production cannot succeed in any country unless there is improvement in the entire economy of the country. The farmer has to be able to buy fertilizer and pesticides and the new seeds that Senator Miller spoke of. He has to be able to get a good price for his products. And he has to be able to buy consumer goods with the money that he makes, or he is not going to be interested in making money. So that, directly, one-third of all of our money goes to support agriculture production and, indirectly, a great deal more.

The big question, it seems to me, before the world today, apart from the overriding question of peace, is whether we can avert a food crisis in the next 20 years by growing more food in the underdeveloped world.

There is a further question of whether, in the longer run, the countries of the world will be able to control their populations and avert a food crisis further down the road. But for the next 20 years or so, it seems to me it is largely a question of whether the world can avert a food crisis by growing more food.

It is too early to say—and I believe Secretary Freeman and Senator Miller just indicated that they agree it is too early to say—that we will avert this crisis. But there is a good deal of evidence to indicate that this crisis can be averted.

There is a record crop in India this year. There is similarly a record crop in Pakistan. There is a record crop in the Philippines. There is a record crop in Turkey. There is greatly increased production in a number of other countries. I feel very strongly that these results are due not entirely to weather but due to the use of new seeds, to the use of more fertilizer, to the better use of water, and to price incentives. More of these developing countries are looking at the food price structure with an eye to the producer rather than an eye to the consumer. There have been a whole host of policy changes which have been made in these countries which are encouraging the production of food.

Now, Public Law 480 is playing a very important part, as we see it, in this whole business, both in agriculture production, and on the family planning side. It plays a part in the short run because of the immediate needs for food in some countries. It plays a part in the longer run because of the factors I have mentioned: The self-help provisions, the local currency provisions, the Cooley loans, the title II food—all of which serves as a stimulant to the development programs which are going on in these countries.

So that, from our standpoint in AID, this is an extremely important program, and we strongly recommend its extension to the committee.

I thank you.

(Mr. Gaud's prepared statement is as follows:)

Mr. Chairman and Members of the Committee, the Agency for International Development strongly seconds Secretary Freeman's endorsement of P.L. 480 and of S. 3069, which provides for its extensions.

The Secretary has explained the many ways in which P.L. 480 has served this nation well. I would like to expand upon the way in which P.L. 480, along with the dollar loans and the technical assistance provided by A.I.D., is helping the developing countries "meet their problems of food production and population growth," in the words of Section 103.

Food needs in the developing countries will double during the next twenty years. The President's Science Advisory Committee Panel on the World Food Supply tells us that these countries must attack both parts of the problem. They must grow more food, much more food. And, to avoid even graver food problems

after 1985, they must adopt effective family planning programs now. A.I.D.'s most important business is to help on both jobs.

Food and population programs have the highest priority in the Agency. We work closely with the Department of Agriculture to assure that P.L. 480 assistance and our dollar programs under the Foreign Assistance Act complement one another for maximum development results.

A large portion of our budget goes directly for agricultural development. Nearly a third of our proposed dollar budget for FY 1969—about \$800 million—is for agricultural programs (in FY 1968 we will spend about \$570 million for this purpose). Our dollar loans finance fertilizers, pesticides, machinery for fertilizer plants and other goods which boost food production. All our loan money is spent in the United States. We finance technical assistance—expert advisors—to help developing countries set up farm credit organizations, extension services, irrigation systems, seed research, and other important agricultural programs. In India, nearly 40% of all our technical assistance is for agricultural work.

P.L. 480 provides a strong assist to agricultural development. P.L. 480 commodities go to countries which are working to solve their own food problems. The self-help provisions which the Congress wisely wrote into P.L. 480 in 1966 require that before entering into any commodity sales agreement the President must consider the extent to which the developing country is helping itself to increase per capita food production and improve storage and distribution facilities for agricultural commodities. We welcomed this emphasis upon self help. As President Johnson has pointed out on numerous occasions, our aid program is "rooted in the principle of self help."

The P.L. 480 self help provisions have been very useful. A December 1967 P.L. 480 agreement with India calls for a number of self help measures by the Indian Government: the establishment of buffer food stocks; government purchase of all food grains offered for sale at announced procurement prices; increased irrigation activities; and increased use of pesticides, fertilizers and high yield seeds. In Indonesia, where fertilizer prices heretofore discouraged extensive use of fertilizers, a P.L. 480 agreement now provides that the Indonesian Government will take steps to establish a more favorable spread between fertilizer prices and rice prices.

Also in accordance with the 1966 amendments to P.L. 480, we are progressing from local currency sales to dollar credit and convertible local currency credit sales. In calendar year 1967, local currency sales were about \$912 million, 75 percent of total P.L. 480 sales. Our general rule is annually to increase the credit portion by 20 percent of the total sale: that is, 20 percent of the sale is on credit during the first year, 40 percent is on credit during the next year, and so on. Thus we plan to complete the transition to credit sales in early calendar year 1971, ahead of the statutory deadline of December 31, 1971.

Local currency generated by P.L. 480 sales has helped significantly in agricultural work.

In Brazil, about 80 percent of the cruzeiro proceeds of the October 1967 P.L. 480 dollar credit sale will finance loans to cooperatives and small farmers and to Brazilian subsidiaries of American firms for agro-business investment.

Under Pakistan's Rural Works Program, which has received \$242 million in P.L. 480 rupees since 1963, villagers in East Pakistan have built more than 70,000 miles of farm-to-market roads and drainage ditches and other improvements on more than 4 million acres—15 percent of the farmland in the area.

In the Philippines, P.L. 480 local currency supports irrigation projects and supervised farm credit.

In Ceylon, P.L. 480 proceeds help to build farm-to-market roads.

In Morocco, a large irrigation project, improved forage and seed production. In Bolivia, rural water supply systems.

In India, nearly \$2 million in P.L. 480 rupees will finance a number of important nutrition projects, including the development of low-cost protein foods.

P.L. 480 local currency also finances other projects basic to economic development.

In the Congo, 15,000 miles of roads and bridges are being reconstructed and a year-round channel in the lower Congo river is being dredged under P.L. 480 local currency projects.

In West Pakistan, P.L. 480 grant rupees have financed construction of school space for 250,000 children and 2,000 community centers.

P.L. 480 local currency provides Cooley loans to private American firms and their foreign affiliates and to foreign companies investing in enterprises which increase American exports of agricultural products. These loans support some important agro-business projects. Cooley loans totaling \$21.8 million in rupees were made for the Coromandel fertilizer project, India's largest fertilizer plant. This \$70 million project, owned by two American companies and an Indian company, was dedicated last December. It is now producing some of the fertilizer which India vitally needs to increase her food production. During 1967, A.I.D. made Cooley loans totaling \$29.5 million in 13 countries for a variety of projects including a fertilizer plant in Pakistan, seed processing and research in India, and animal and poultry feeds in Chile.

Title II food for work projects are also increasing food production. In the Philippines, for example, a major irrigation system was rehabilitated and expanded under a food for work Title II program run by the Catholic Relief Services. As a result, rice production in the area will more than double. This is but one example of the excellent work of the voluntary agencies under Title II. In Korea, nearly one half million acres of land have been reclaimed and redistributed under a Title II food for work program. A barren countryside has been transformed through flood control, rice paddy rearrangement, terracing, irrigation and reforestation.

Mr. Chairman, P.L. 480's self-help focus and A.I.D.'s emphasis upon agriculture have had a good deal to do with the good results we are beginning to see. Food production is increasing in the developing world; in 1967, per capita food production was up 6 percent over 1966. In 1967 Pakistan brought in a record wheat crop and has an excellent chance to become self-sufficient in foodgrains in another year or two. India harvested a record crop of more than 95 million tons of foodgrains and could become self-sufficient in foodgrains in another three or four years. The Philippines had a record rice crop and are about to become self-sufficient in rice.

Some credit for these record performances must go to the weather. But a lot of the credit goes to new seeds, increased use of fertilizer and sound agricultural policies of developing nations.

What we might call a "green revolution" begins with the new seeds. The rice seeds IR-8 and IR-5, developed at the International Rice Research Institute in the Philippines, can yield four to six times as much as most traditional varieties when used properly with enough fertilizer. The Philippines produced a record rice crop with only 14% of their rice acreage in the new seed. The new seed will cover much more ground this year. The new Mexican wheat seeds quadrupled Mexican wheat production and are now doing the same thing in India, Pakistan, Turkey and other developing countries. In 1967, the new wheats covered 700,000 acres in India; this year they will cover 6 million acres. Another 10 million acres in India will be planted with high yield rice, sorghum and millet.

Along with the new seeds must go fertilizer, lots of fertilizer. Pakistan, for example, used about 30,000 tons of fertilizer in 1960 and practically none of it on food crops. In 1969 Pakistan will need 420,000 tons, mostly for food crops. A.I.D. proposes to lend \$60 million to Pakistan in FY 1969 just to finance fertilizer imports. In 1960-1961, India used 375,000 tons of fertilizer. Today she is using over 2 million tons a year. For FY 1969 we propose to provide \$200 million in development loans, almost half of our Indian program, just for fertilizer imports. We also plan to finance the expansion of one major Indian fertilizer plant and the construction of another new fertilizer plant to be built and run by a group of American and Indian cooperatives.

The new seed, the fertilizer, and the pesticides, water, roads and other physical resources must be accompanied by new agricultural policies. It must be made profitable for the farmer to grow more food. And the farmer must be taught how to grow more food. The Philippines rice program is a good illustration. As the *Manila Times* explained it, the Philippine Government adopted a policy of "subsidizing production and not consumption" to induce farmers to grow more rice. Farm credit was also provided. An A.I.D. loan of P.L. 480 pesos, about \$1.3 million worth, helped private rural banks to finance the new seed and fertilizer. A rice kit developed by the A.I.D. Mission, with seed, fertilizer, pesticide and instructions, told the farmer "how to do it". A.I.D. financed the first 100 kits; more than 22,000 have now been sold.

New policies also mean more government support for agriculture and more private sector participation. In 1966-1967, for example, India, increased her budget for agriculture by more than one third. Pakistan, at A.I.D.'s urging,

opened up fertilizer distribution to private enterprise. Until recently, fertilizer was distributed through government outlets even at the retail level. By last summer there were over 10,000 private fertilizer dealers in East Pakistan—an increase of 50 percent in one year—and more private dealers are entering the field.

Let me now turn to the other half of the problem—population growth. Here too I can report some progress although not nearly as much as in food production. Some 26 countries representing over a billion people in the underdeveloped world now have official family planning policies. A number of countries are hard at work on their population problems. A.I.D. is doing all it can to help.

Our policy is to provide assistance, when asked, for voluntary family planning programs. We do not force a family planning program, or any particular type of family planning program, on any country. And we will not assist any program unless it leaves each individual free to decide whether he or she will participate in any family planning activity. We do not make family planning a condition of aid.

Our assistance for population work has increased sharply. Our dollar programs amounted to \$2.5 million in FY 1965; this fiscal year we have already obligated or committed over \$23 million for population projects. We will fund additional projects before the end of the fiscal year and hope to reach the \$35 million figure contained in Title X of the Foreign Assistance Act. Our population staff in A.I.D. has increased from 8 people in 1966 to 52 people today.

Population work requires substantial amounts of local currency. Indeed, the vast preponderance of family planning program costs are local currency costs—salaries for family planning workers, advertising costs, training costs, and the like. Here P.L. 480 plays an important role. This fiscal year we have already programmed over \$10 million worth of P.L. 480 local currency for population work, principally in India and Pakistan. In India, we have obligated \$4 million worth of rupees for population work, including a very large family planning advertising campaign, perhaps the largest advertising campaign ever mounted in India. In Pakistan we expect to obligate about \$5.3 million in rupees for family planning projects.

Cooley loans can also help in population work. In 1967, A.I.D. made a Cooley loan of \$168,000 in rupees to a Pakistani subsidiary of the G. D. Searle Company, of Chicago. The Searle plant in Pakistan will make and market drug products including contraceptives for Pakistan's family planning program.

Some developing countries have strong family planning programs in being. Pakistan is running a good program at a cost to herself of about \$12 million a year. Pakistan's goal is to reduce the birth rate from 50 per 1000 to 40 per 1000 by 1970 and it looks as if this ambitious goal can be met. South Korea is conducting a very successful family planning program. An estimated 30 percent of all Korean families now practice family planning. Since 1964 the population growth rate has dropped from 3 percent to about 2½ percent. The Koreans' goal is to reduce it to 1.9 percent before the end of 1970. The Indian Government is budgeting about \$41 million for family planning this year, against \$1.8 million in 1963–1964. This is a start. Much more is required if India's population problems are to be solved.

* * * * *

In summary, Mr. Chairman, I can report that P.L. 480 help is going to countries which are making substantial "efforts to meet their problems of food production and population growth". Their efforts are producing results. P.L. 480 has helped greatly.

We urge the extension of this vital legislation.

The CHAIRMAN. You have always considered—at least, your predecessors in AID have always considered—that Public Law 480 was a supplement to AID. Do you now think that you could use this more directly to what you can do with cash? In other words, reduce our cash contributions and use more of the food to carry on aid?

Mr. GAUD. This is much more the attitude today than it used to be. I think that the change took place—well, it took place because of two things, primarily, I think: One is that food is, of course, no longer surplus at home. The other point that is important in this connection is that most of these countries, many of them in which we are concentrating our development efforts, realize the need to put agricultural

production ahead of industrial production, to concentrate more on the agricultural sector.

And for both of these reasons, I think that Public Law 480 is playing a much more central part in this process.

The CHAIRMAN. You mentioned self-help in the AID program.

Mr. GAUD. Yes, sir.

The CHAIRMAN. In the food-for-peace program.

Mr. GAUD. Yes, sir.

The CHAIRMAN. That has been the keynote in the AID program, self-help?

Mr. GAUD. That is right.

The CHAIRMAN. Unfortunately, that has not been pressed too much in the past as it should have been. I am very hopeful that we can proceed and say that we will do this for you if you will do that for us. In other words, attach strings to it.

Mr. GAUD. That is right.

The CHAIRMAN. I tried to do that when the AID program was first on the statute books. And what answer did I get then from the then Secretary of State? "If you do that, you are going to incur a lot of trouble, and some of them may have to give up some of their programs and will not accept aid." I said that they did not have to accept aid, unless they follow through with the suggestions that we make. And if we had done that then, in my humble judgment, the self-help that you are now emphasizing—if you had simply done that, we could have done much better with one-half of the money that has been spent.

Mr. GAUD. I think you are right.

The CHAIRMAN. There is one question that I would like to ask: When the President sends over to the Congress his aid program it is always bare bones; it is less than it has ever been. What I would like for you to do is to put in this record—I am glad you approve. [Laughter.] That is all right. I would like for you to furnish for the record, for the last few years, where the aid program has been \$2 billion, like last year, and this year, \$2.4 billion—to put in the record the contributions that we make to these various banks.

Mr. GAUD. That is right.

The CHAIRMAN. So that for the record I wish that you would put in, or furnish for the record, all of the aid we furnished in 1966 and 1967 and what you propose in 1968.

Mr. GAUD. I will be glad to do that.

(For the information above, see p. 138.)

The CHAIRMAN. Are there any questions?

Senator Byrd?

Senator BYRD. Yes, Mr. Chairman.

You mentioned a moment ago, Mr. Chairman, about your suggestion several years ago that these programs should be put on the basis of self-help and that our Government should say to some of these other governments: "If you want our aid, then you will be required to do certain things."

That brings me to this proposition, as to our situation in South Vietnam. And our question is: Whether we are insisting that the South Vietnamese Government do more to help themselves in this crisis in which they are in and we are in.

Mr. GAUD. Yes, Senator Byrd; we have, as you can imagine, a great many problems. There are a great many ways in which we would like to see the Government of South Vietnam improve its performance.

Senator BYRD. I should like to see it done.

Are we taking firm steps requiring it to be done?

Mr. GAUD. Yes, sir. A great deal of effort is going into this on the part of Ambassador Bunker and his team out there. It is a question of whether or not we are always getting the results that we want, but we are doing everything that we feel we can do in this respect.

Senator BYRD. You say that you feel can be done, but that does not get to the point. You have not reached the point that Senator Ellender has suggested that could have been reached some years ago in regards to foreign aid. You have not said to these governments: "You are going to have to clean up your corruption, or we are going to take other steps."

Mr. GAUD. As far as the economic side is concerned, of which I can speak better than the political side, we have gone a good deal in terms of self-help. For example, one of the principal programs that we have had in South Vietnam for some time has been a commodity import program to help them meet their threat of inflation—not a threat of inflation but their real inflationary situation. As their capacity to import commodities has increased, we have reduced the amount of that program, and they have increased their commitments to it. For example, in the last 3 years, or a little less than 3 years—2½ years ago—we were supplying commodities to help stabilize the economy at the rate of about \$400 million a year. Today, we are down to about \$200 million a year. We have reduced that sharply.

We have, in the agriculture area, gone along with them in a program which they have underway to increase their rice production by 50 percent between now and 1971, from 4 million tons, roughly, to 6 million tons upon the condition that they take certain steps with respect to maintaining prices at a high enough level so that the farmers will have an inducement to grow more food, upon the condition that they put the distribution of fertilizer in the private sector rather than distribute it through the Government, and thereby avoid corruption. And subject to their taking a number of other reforms. These they have done, and this program is going fairly well. That is, until the Tet offensive came along at the end of January. We do not know where it will stand in the future.

We are making efforts, as effectively as we can, to get the Government to face up to this question of corruption, to do something about it.

I am sure that you saw in the paper the other day that seven province chiefs have just been removed because of corruption; and two corps commanders have just been shifted because of corruption.

Our people who are out there working with the South Vietnamese customs people tell us that while the performance of the South Vietnamese still leaves a good deal to be desired, they are moving ahead more vigorously than they were before in trying to stop smuggling and this sort of business.

Senator Byrd, it seems to me that the ultimate question here is this: Here is a sovereign country, and we attempt to use as much persuasion as we can to get it to act the way that we feel it should act. You come

to the ultimate question it seems to me: Are you prepared to use the ultimate sanction in South Vietnam if they do not do X, Y, and Z? That is about what it comes down to in the last analysis, and I do not think that we are prepared to take such steps.

Mr. ROSTOW. Could I add a little bit to what Mr. Gaud has said?

The CHAIRMAN. Yes.

Mr. ROSTOW. I agree with what he said, as to the advice and suggestions we have made to the South Vietnamese Government with respect to economic and political matters, especially the basic process upon which we have depended, the development, politically, of the Government. As you know, that, of course, has made very great progress in this last year. The progress has been demonstrated in the resistance by both the Government and the people during the Tet offensive. The primary objective of that offensive was to destroy the political base of the Government and to destroy the Army of South Vietnam so that we would be left alone without any real Government to support.

So far as the elections go, the people have participated in the process of creating a definite Government and their Government has taken increasing responsibility in dealing firmly with these problems of corruption and maladministration.

Senator BYRD. How serious and how widespread has the corruption been there?

Mr. ROSTOW. There has always been a problem in that country, as in many other countries. It has been increased by the temptations of the war—the enormous outflowing of money and the availability of money, through the process of procurement and with the presence of foreign troops. Progress has been made increasingly on the part of the governmental structure, which is doing something quite visible under extraordinary circumstances. And the men who are strongly against corruption are the ones that are coming forward and taking the lead.

Senator BYRD. In that connection, have we considered using script instead of dollars in that part of the world as we did in World War II?

Mr. ROSTOW. Yes, sir.

Mr. GAUD. We do that, sir. Our troops in South Vietnam draw military script—that part of their salary which they get in South Vietnam.

Senator BYRD. In other words, no dollars then are going into South Vietnam?

Mr. GAUD. Not by way of payment to our troops.

Senator BYRD. Script only to the troops?

Mr. GAUD. So far as our aid program is concerned, they do not get any dollars from us at all. It is entirely a matter of goods, shipped from here for our aid programs. Now, there is the matter of construction salaries by contractors and the like.

Senator BYRD. Are they in dollars, or script?

Mr. GAUD. Dollars go into the country. They are not script; they are not script; no, sir. They are dollars. It is only the military who are being paid in script.

Senator BYRD. Only the military?

Mr. GAUD. Yes.

Senator BYRD. May I ask Mr. Rostow this question?

In your judgment, is a long war in South Vietnam advantageous to the Russians?

Mr. ROSTOW. No.

Senator BYRD. It is not advantageous. In the long run, it is not advantageous to them?

Mr. ROSTOW. The public image—

The CHAIRMAN. We are off the subject.

Senator BYRD. He has answered my question, anyway. I am satisfied.

The CHAIRMAN. We have quite a few other witnesses yet to hear.

Senator BYRD. I am satisfied with his categorical answer. I am glad to get it but I do not agree with it.

The CHAIRMAN. Are there any further questions on the subject?

Senator YOUNG. Just one, which Mr. Gaud can answer. I saw a newspaper story the other day, which I presume is accurate. They predicted that by the year 2000 the population of the world would be doubled and that this will present a problem of producing enough food. We have a divided world now, Communist and non-Communist. All of the wheat-exporting nations, with the exception of the United States, sell to all of the Communist countries with the possible exception of North Vietnam. Whether they sell there or not makes no difference, because they can get all they want from China. My question is: Are these other exporting countries helping to increase production in the Communist countries as we are in the non-Communist countries? Do you know?

Mr. GAUD. I do not know. I just do not know the answer to that question. I do not know how well we are doing on that. You are right about the doubling of the population by the year 2000. I think it is pretty clear that this is just not my opinion. The President's Science Advisory Committee which went into the question submitted last May or June a report, and I think everybody else agrees with it, that it will be impossible to feed the world by merely increasing the food production by the year 2000. In addition to that, you have to have some reduction in the rapid rate of population growth.

Senator YOUNG. Along with increased food production, we are getting a lot of substitutes for food?

Mr. GAUD. That is true.

Senator YOUNG. We have learned how to produce crops without too much rainfall. We are doing that in my State. Thank you.

The CHAIRMAN. In connection with family planning, I do not know that it will add much emphasis, but in the bill that I introduced, I put in a section there that in order to stimulate the program, maybe, that not less than 5 per centum of the funds generated in the country can be used for family planning.

Do you think that will probably emphasize and help the situation?

Mr. GAUD. Yes, I would strongly favor any provision in the bill which would encourage family planning programs provided they were left on a voluntary basis. I think that it would be a mistake to make it a condition of aid or to require them to do so. I would strongly favor any change that would encourage this.

The CHAIRMAN. We asked for that, I think, last year. I was in favor of making it obligatory, but I was convinced after hearing a lot of witnesses that it might be best to proceed on a voluntary basis. I think,

in our report, we will try to emphasize it, and then provide that not less than a certain amount of the money can be used for that purpose.

Mr. GAUD. Yes, sure.

The CHAIRMAN. Are there any further questions?

Senator MILLER. You have stated, Mr. Gaud, that the question, so far as the world food crisis is concerned, is really whether or not the hungry countries will be able to grow more food.

Mr. GAUD. Yes.

Senator MILLER. I take it that that is as against any other possibility, other than Public Law 480 purposes?

Mr. GAUD. I think, sir, that we could, if we wanted to, meet the food gap for a few years. But on the basis of the figures I have seen—I am talking primarily from the President's Science Advisory Committee's report—that no matter how much we increase our production—or, at any rate, it does not look as though it would be possible for us to increase our production to the point where we would be able to meet the food gap after another, say, 7, 8, or 10 years.

So, as I see it, there comes a time when no matter how big a Public Law 480 program we have, you still have to have substantial increases in production—greatly increased production—in the developing countries.

Senator MILLER. I think that philosophy underlies the Secretary's testimony before the Joint Economic Committee, in response to one of my questions, looking down the road, we should not expect any greatly enlarged Public Law 480 program.

Mr. GAUD. That is right.

Senator MILLER. But at the same time, in response to a question by the Chairman, he said that he was giving consideration to the use of grains or food instead of cash. I am not sure that I understood the implication of that, but I think what the Chairman is driving at is what are the possibilities of cutting down on some of our cash foreign aid and using some of our foods for aid.

Have you given consideration to that?

And it would seem to me that it would be contrary to what I understood your position to be, that you cannot look forward to much of an expansion of Public Law 480 if we are going to concentrate on the real root problem which is growing more food in the countries concerned.

Mr. GAUD. Well, I am sorry that I have not made myself clear.

I think that the opportunity for using food as a substitute for other types of aid is very small. There are very few countries where this can be done today, and I think probably there will be fewer in the future. Take countries such as India and Pakistan, for example. I think that we would be very foolish and ill-advised to give them any more food than we have to give them. The essential point is to encourage them to increase their agricultural production.

Take Korea as another example. When they need more food; we do not want to cut into our cash sales for that country. We do not want to substitute food for cash sales. So that door is closed in the case of

a great many countries. We have gone around this mulberry bush here in the last few months together, and we find there are very few places where you can do this. We are considering it where it makes sense, and there we do it. There is not much opportunity for such substitution. It seems to me inevitable that if we follow the guidelines that we are following now and if we achieve the objectives that we are working towards now, that Public Law 480 is going to go down steadily.

Senator MILLER. In connection with this objective of telling other countries to grow more food for themselves, do you agree with the conclusion by the Secretary 2 years ago when we had published a survey—I think it was of these 22 food-short countries, which indicated that there were about, I believe, 10 or 12 of them—the Secretary will remember this—and he might check that figure—10 or 12 of them which had an actual increased rate of agricultural production over and above the United States and many other developed countries, that the conclusion for the difference between those countries, which had many differences in their climate and fertility of soil and their governments, was a common denominator of the national will to do something about it.

Mr. GAUD. Yes, sir. May I say one thing more there? May I add a sentence or two, if I may, to my prior answer?

When I talked about increased agricultural production in these countries leading to a decline in Public Law 480, the companion thought to that, the result will be—if we are successful in this and at the same time are successful in raising their standards of living—that as Public Law 480 goes down, commercial sales should go up. I see a net gain to the United States in this.

Senator MILLER. I am pleased that you brought that point out.

One last question. What are the possibilities of transferring some of our Public Law 480 activities into the multilateral activities of FAO?

Mr. GAUD. I think that the Secretary knows more about FAO than I do. But I have a point of view on this, and that is, I think that if you are asking for self-help, and if you are interested in performance, you are much more likely to get it on the basis of past experience through our programs than you are through the FAO.

Secretary FREEMAN. Well, I would say in connection with FAO that I have been a strong advocate and supporter of multinational programs. However, I am at this point reserving judgment because it may be very difficult to apply the self-help principle within a one-nation, one-vote international organization. I would not want to go any further than that right now.

Senator MILLER. Do you think that the people—whether or not it is on a multilateral basis—or whether it would be a self-help basis, that it would be as strong as our own bilateral?

Secretary FREEMAN. That will certainly be one of the keys to it. In any event, skillful, effective administration is required. It is a very complicated and difficult field in which to operate.

Mr. ROSTOW. Could I enter a word, too?

The CHAIRMAN. You are next, Mr. Rostow.

Mr. ROSTOW. We have built up over the last 2 years what we think is a very successful device through the banks and the fund in organizing multilateral group assistant for aid programs in different countries where you do not have this one-state, one-vote principle and where you have the leadership of a very powerful and experienced secretariat. The problem of deciding which international route to go is a complicated one. We are all in favor of making greater progress in internationalizing problems there.

Senator MILLER. Are you referring to the consortium?

Mr. ROSTOW. Yes, I am.

Senator MILLER. I wonder if for the record we might have Mr. Rostow provide us with a statement of the consortium and how it works. I think it would be helpful for the record.

Mr. ROSTOW. Some are called consortiums and some are called consultative groups. We will give you a complete rundown on them.

Senator MILLER. Thank you.

(The information follows:)

CONSORTIA AND CONSULTATIVE GROUPS

The principal arrangements for multilateral coordination of AID development assistance to particular countries are consortia and consultative groups.

Consortia.—There are three active multilateral consortia: the two for India and Pakistan established by the World Bank and the one for Turkey established by the OECD. There is a less active OECD consortium for Greece.

Consortia meet under the chairmanship of the IBRD or OECD to review the foreign exchange situations of the recipient, assess development plans and performance, and make pledges of assistance to meet development finance requirements. Consortia have been effective in sharing the aid requirements among various donors, in coordinating assistance activities, and in focusing attention and influence on needed self-help and reform measures.

How a Consortium works

Pakistan.—Nine countries plus the IBRD and IDA belong to the Pakistan Consortium which was established in 1960—Belgium, Canada, France, Germany, Italy, Japan, Netherlands, U.K., & U.S.

In preparation for Consortium meetings a World Bank team evaluates Pakistan's progress and problems under its development plan, and assesses projected needs for foreign assistance. The resulting report then becomes the focus of discussion at Consortium meetings where a consensus evolves on development policies and assistance needs.

Consortium members have pledged over \$3 billion for Pakistan's second and third Five-Year Plans of which about \$1.5 billion was from the U.S., excluding PL 480.

India.—Austria, Belgium, Canada, France, Germany, Italy, Japan, Netherlands, United Kingdom, United States and the IBRD and IDA are members. This Consortium was organized in 1958 as an ad hoc group; since 1961, when it became recognized as a continuing body, it has held fifteen formal meetings, the latest in March 1968.

Consortium members have pledged over \$6.5 billion for the India Third and Fourth Five-Year Plans of which about \$2.5 billion was from the U.S., excluding PL 480. Net disbursements in CY 1966 totaled \$1.1 billion.

Turkey.—Austria, Belgium, Canada, Denmark, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States, IBRD, and European Investment Bank (EIB) are members.

The Consortium was organized in 1963. Pledges of program, project and debt relief assistance in 1967 totaled \$330 million of which \$130 million was from the United States. Net disbursements in CY 1966 amounted to \$219 million, of which \$117 million was from the United States.

Consultative Groups.—These are less formal than consortia in that they do not impose an obligation to provide periodic pledges of assistance to meet assistance needs. A.I.D. participates in Consultative Groups established by the IBRD for Colombia, Nigeria, Morocco, Thailand, Tunisia, Peru and Korea, and by the IDB for Ecuador. The United States is a member of consultative groups for Malaysia and the Sudan, and aid group for Ceylon, and has supported foundation of a new Consultative Group for East Africa.

There is considerable variation in the scope of responsibility for different consultative groups. Some have considered only project needs; more are now examining total development programs.

How a Consultative Group works

Tunisia.—The IBRD Consultative Group for Tunisia was organized in May 1962 and held three meetings during 1962–1963. After a two-year hiatus, it was revived in October 1965, and is now meeting on a regular basis.

This Consultative Group (1) assesses aid requirements, (2) presses for effective development policies and performance, and (3) coordinates the substantial assistance programs of the numerous donors—fourteen countries, including the United States. The IMF, UN Development Program (UNDP), African Development Bank and European Investment Bank participate as observers.

Since 1966, coordination among principal donors has improved considerably. The IBRD has expanded its role as spokesman for the Consultative Group and is giving special attention to the lagging agricultural sector. In a new and experimental step, the World Bank established a Working Party on Agriculture in 1967 within the Consultative Group which examined the Tunisian Government's program for agricultural development in detail. The resultant report includes a description of past and current agricultural performance, on-going agricultural development projects, and proposed agricultural projects.

The enclosed tables show 1966 disbursements through Consortia and Consultative Group arrangements as well as 1967 pledges to India, Pakistan, Turkey, Indonesia and Ghana.

OFFICIAL ASSISTANCE THROUGH SELECTED COORDINATION ARRANGEMENTS, 1967 PLEDGES²

[Amounts in millions of U.S. dollars]

	Fiscal year 1967				Calendar year 1967					
	India		Pakistan		Turkey		Indonesia		Ghana	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Austria.....	4.7	0.5	---	---	1.1	0.3	---	---	---	---
Belgium.....	1.2	1	0.5	0.1	1.5	4	---	---	---	---
Canada.....	47.9	5.1	25.4	6.4	22.6	6.6	0.4	0.2	2.0	2.6
France.....	17.0	1.8	10.0	2.5	19.8	5.8	---	---	---	---
Germany.....	63.0	6.8	37.5	9.4	46.0	13.5	29.0	15.1	6.3	8.2
Italy.....	34.0	3.6	30.0	7.5	18.0	5.3	---	---	---	---
Japan.....	45.0	4.8	30.0	7.5	---	---	---	---	---	---
Netherlands.....	11.1	1.2	4.4	1.1	1.0	3	60.0	31.2	---	---
United Kingdom.....	89.6	9.6	22.4	5.6	14.3	4.2	27.2	14.1	---	---
Other.....	---	---	---	---	33.7	1.1	3.9	2.0	11.2	14.6
United States.....	403.3	43.3	175.4	44.0	138.2	40.6	46.1	3.2	27.8	36.3
IBRD/IDA.....	215.0	23.1	62.8	15.8	14.0	4.1	65.7	34.2	29.3	38.3
EIB/EMA.....	---	---	---	---	60.0	17.6	---	---	---	---
Total ¹	931.8	100.0	398.4	100.0	340.2	100.0	192.3	100.0	76.6	100.0

¹ IBRD consortia for India and Pakistan, OECD consortium for Turkey, intergovernmental group for Indonesia, and ad hoc group for Ghana.² Includes program and project aid for India, Pakistan, and Ghana; program, project, and debt relief aid for Turkey; letters of credit opened for Indonesia.³ Denmark, Norway, Sweden, and Switzerland.⁴ Australia.⁵ IMF drawing of \$25,000,000 and \$2,800,000 from Denmark.⁶ Includes \$9,300,000 Public Law 480 title I.⁷ Totals may not add due to rounding.

The CHAIRMAN. That will be all right with the committee and if we see fit we might print it.

You are next, Mr. Rostow. I guess that you have covered a lot of what you wanted to cover.

Mr. ROSTOW. I have covered, Mr. Chairman, a lot of what I was going to say. I would suggest that I follow the same procedure as Mr. Gaud, to file the prepared statement for the record, and to concentrate on one or two points that have not yet been discussed, including one that was raised earlier in questioning.

The CHAIRMAN. You may proceed in that manner and your whole statement will be made a part of the record.

Mr. ROSTOW. Of course, I agree with my two colleagues in urging the committee to renew Public Law 480, which has been one of the most powerful instruments of our foreign policy and one of the most effective, both in terms of long-term foreign policy goals and in terms of our national character, and in wanting to help others who are less fortunate and in the desire we all share to solve the problems of rural America.

I will comment mainly on the problem of international relations.

I might go immediately to the question you raised earlier, Mr. Chairman. The progress that has been made in recent years in internationalizing the food aid burden. And I will talk, first, about the special program last year to deal with the Indian problem which was an occasion that we all remember after 2 years of drought in India. You will recall in the past we have been providing something like 60 percent of the food aid in India. And our target in that special effort which comprised about 6 million tons for the second half of the year 1967 was a 50-percent share for the United States, about 3 million tons for us. It is very difficult to be precise, as you will recall from our discussion in this committee at that time, because of the uncertainty of the situation, but we made a very active effort to support the diplomacy of the Government of India in enlisting international support for that special effort to obtain 6 million tons of additional food aid for India without interfering with the development process in the ongoing programs, the economic development programs, supported by the Indian aid consortium.

As I said before, each country has special budgetary problems, special legislative problems in trying to arrange for its participation in this effort. Three of the countries found that by liberalizing their aid terms and making administrative adjustments they could draw on pipelines, past appropriations which had not been fully utilized.

As we said, our goal in this program was not budgetary, but the flow of commodities. We wanted to maintain the flow of food for India in this period, without interfering with the development process itself.

Because of the way in which different countries organized their participation in this special effort it is a little difficult to compute exactly how the sharing came out; indeed, we will not know until the final figures for the year 1967 are completed exactly how much acceleration of pipeline appropriations were in fact achieved on the part of three of the countries, Italy, France, and the Netherlands, as a part of their participation in it, but I can assure the committee

today that on a very hard and conservative basis, within the consortium group, they mustered, at least, the equivalent of 2.5 million tons of grain in the form of food aid or cash for food purchases or pesticides or fertilizers and other commodities directly related to agricultural development.

The CHAIRMAN. Was that 2½ million tons to be a part of what India was going to receive?

Mr. ROSTOW. That is right.

The CHAIRMAN. What about the other countries that we were assisting—have they been as anxious to assist there?

Mr. ROSTOW. Yes; I think that you will find that the whole process of internationalization as Mr. Gaud indicated earlier has gone on steadily with respect to all of the countries, Indonesia, Pakistan, Turkey, where we are functioning in this pattern, and I think that this experience led directly to the success of the negotiations in the Kennedy round for the Food Aid Convention which is a part of the International Grains Arrangement which is now before the Senate for its advice and consent.

Senator YOUNG. May I ask a question at that point? How many countries are excluded from the International Grains Arrangement? I suppose that some Communist countries are on the outside? Is Russia included, for example?

Mr. ROSTOW. It is open to membership by all members of the United Nations and its specialized agencies. The Soviet Union has not indicated any interest.

Secretary FREEMAN. I know of none.

Senator YOUNG. They would not be excluded, then?

Mr. ROSTOW. No, sir; not under it. Now, that Food Aid Convention which is before us, is a free commitment and represents a further step in this process of internationalization of the food aid problem. Our share in that is 42 percent, that is, it drops again from the pattern of the past as represented in the Indian experience. That convention permits its members to provide 4.5 million metric tons as aid to the developing countries. Our share is 42 percent. The European Economic Community is 23 percent; Canada's share is 11 percent; Australia, Great Britain, and Japan, 5 percent each, with smaller contributions from the four Scandinavian countries, Switzerland, and the Argentine. These contributions can be in the form of grain or cash equivalent.

Food aid under this program will be supplied on very favorable terms, as outlined, on a grant basis, or for local currencies, which will not be available for use by the contributing countries.

Participating countries have the right to specify the recipients of their contributions and they may channel through international organizations, if they wish, such as the world food program. So that there, again, I think that we have made a further step—a very important step toward international responsibility for the war on hunger.

The 4.5 million metric tons provided by the arrangement represents an annual volume of about \$300 million, three times the annual present target of the world food program. And as I indicated before, Mr. Chairman, I think that the way it will work out may well result in commercial purchases from us for this program on the part of other countries.

I think I have finished.

The CHAIRMAN. Thank you.

Your statement will be made a part of the record at this point.
(The prepared statement of Secretary Rostow is as follows:)

Mr. Chairman, I thank the Committee for the opportunity to discuss the renewal of PL 480 this morning. I am not aware of another piece of legislation that serves such a broad spectrum of US interests or that is so deeply rooted both in the belief of all Americans in helping others who are less fortunate and in the desire we all share to solve the problems of rural America.

The Administration has asked for renewal of this authority without change until December 31, 1971. My colleagues have stated their reasons for this proposal, and I strongly endorse their views.

I should like to raise one additional issue from the special vantage point of the Department of State: As the Committee knows, the President has asked the Senate to advise and consent to US participation in the International Grains Agreement. This agreement includes a Food Aid Convention which provides a new multilateral commitment by developed nations and represents a major breakthrough in food aid burden sharing. It runs for three years. We need sustained authority to maintain our participation in this agreement.

We are pursuing a strategy designed to alleviate chaos and unrest in the developing world by helping to bring the food output and economic capacities of hungry nations into line with their food needs.

At the present time, two-thirds of the world's people live in less developed countries but they receive less than a third of the world's income. If present trends continue, this gap between rich and poor will widen.

Timely provision of food aid is a valuable foreign policy instrument in this fight against hunger and poverty. And it is one whose contribution to our own national interests and to the peoples and governments assisted by it far outweighs the call it makes upon our own resources.

Last year, calendar 1967, we sold and donated under PL 480 about \$1.4 billion in agricultural products. This amounted to roughly 15 million tons of commodities, enough to supply one pound of foodstuffs a day for every man, woman and child on earth for more than a week. Among other things, it supported a child feeding program for 48 million children and helped to reduce the misery of 8 million people in drought-stricken Bihar and many more in other states of India. And it cost this country less than two-tenths of a percent of last year's gross national product. It cost the American citizen, Mr. Chairman, less than two cents a day to participate in this world-wide fight against hunger.

The passage of the Food for Peace Act of 1966 gave the United States a basic food policy instrument that is capable of doing our part of the job. Its important new features—making food aid conditional on the efforts of the countries to help themselves; providing assistance and encouragement to family planning programs; permitting the planning of our production to meet foreseeable needs for food aid; and providing sufficient flexibility to tailor programs to country situations—gave us the tools we need to move ahead.

Even with these sound policy tools, we don't have all the answers. But we have learned some valuable lessons in the past decade. We all know traditional patterns of agriculture must be transformed as fast as humanly possible if development is to succeed. The catch is "humanly possible."

It is extremely difficult to induce farmers whose ancestors have followed traditional methods of farming for hundreds and in some cases even thousands of years to adopt new methods. It takes time and patience. We do know, however, that once a new idea takes hold among farmers—and more importantly its economic value sinks in—that the idea spreads. This has led in some countries to black markets in farm inputs, like fertilizer, before government policies caught up with the farmers' demands.

We have learned that our technical farming methods which succeed here are not easily transplanted. We can, in fact, discourage farmers by handing them a technical kit they don't understand and which doesn't yield promised

results. While our aim under this program is to assist food deficit countries in working the most rapid possible transformation of their agriculture, we have to be careful that farmers will not be so discouraged by poorly adapted innovations that they will refuse to try good ones.

In recent months, there has been much confusion about where the food problem stands. We have heard extended arguments, by "Malthusian pessimists" that the war on hunger is already lost, that it is only a matter of time before the remnants of the battle line leave the field altogether. We have heard an opposite view: that we are on the verge of major breakthroughs in food productivity. I think both ideas are premature. Malthus himself, after all, thought the battle was lost more than six generations ago.

At about the time Malthus was writing, Thomas Jefferson was working on designs to standardize the wooden moldboard plow. In its way the moldboard was a technical leap forward; but it soon was replaced by other plows, and later advances were even greater. In fact, most of the important changes in food productivity, and in the transformation of traditional agriculture in the developed world, have occurred since Malthus died.

On the other hand, important and apparently easy innovations can take time. In this country it took more than a generation for the production of hybrid corn to catch on. It really took hold after World War II.

Last year, Mr. Chairman, we were told by the President's Commission on Food and Fiber that the 38 poorer nations, those with per capita incomes of less than \$100, have each experienced two major outbreaks of violence since 1958. This reflects an instability that undermines productive energies and retards development. These outbursts are clearly related to persistent economic backwardness, to poverty and to the pressing weight of hunger. And they, in turn, feed the destructive and desperate impulses for violence.

It would be foolish, however, to say that the food problem is the developing world's only enemy. It is not, any more than communist doctrine is free man's only political challenge; but all the destructive elements of human society feed on despair and the conflicts of an unstable world are made worse because of it.

Our basic strategy in the developing world, including our attack on the food problem, is to alleviate the sources of unrest and instability through assisted self-help. In the same general way that we helped Western Europe, we are helping countries in various developing regions to create strong and stable political and economic institutions and encouraging them to work together in international groupings for defense and economic development. The nations of Latin America are working together with us in the Alliance for Progress. Many free nations of Asia also are banding together in organizations to promote trade, economic growth and defense.

We are helping these peoples, both by providing a shield against aggression and by providing aid to prime the whole growth process. We hope that the groupings being formed and the policies being applied and considered by these countries will, in time, enable them to overcome the confusion and uncertainty that robs honest effort of its real rewards.

PL 480 contributes in many ways toward these basic objectives. It has proved to be an invaluable catalyst of self-help in many areas of agricultural development and it encourages and assists voluntary family planning programs. It bolsters the advancement of free economic institutions and aids in the development of markets for US agricultural products. It encourages adoption of liberal trade and investment policies. And it helps free nations to develop and move toward more stable and more advanced societies.

We do not achieve any of these goals necessarily through any one agreement or sequence of agreements with PL 480 recipients. Basic habits, customs and institutions do not change overnight. We advance here, as everywhere, by successive steps which are in the interests of all the parties concerned. We need continuity of influence and persuasion to do this.

But there are encouraging developments. The dimensions of the food problem and the self-help nature of its solutions are now widely perceived. It is widely understood by poorer food deficit countries that food aid can only temporarily

fill the gap between present hunger and future ability to feed themselves better from home production. While I was in New Delhi last month to take part in opening the Second United Nations Conference on Trade and Development, I saw many hopeful signs of this in the documents and statements made by representatives of developing nations.

But, as the President has stressed many times, Mr. Chairman, this is not America's burden alone.

As you will recall, the Administration made a major effort last year to improve food-aid burden sharing in order to deal at that time with India's food needs generated by a second year of drought. Many countries joined us, and with the cooperation of the IBRD we were able, within the Aid Consortium group, to muster on behalf of India resources equal to about 2.5 million tons of grain in food aid, cash for food purchases, debt relief and other support of agricultural development.

While that effort was being pursued on an emergency basis, a major new multilateral burden sharing program was being negotiated in Geneva and Rome—the food aid convention of the International Grains Agreement of 1967. This is the first time in history that a food aid program has been made a part of a commodity agreement. Many developed nations of the free world have joined in this multilateral commitment to provide 4.5 million tons of grain or the cash equivalent of grains in each of the next three years, starting July 1.

We have not yet achieved a victory over malnutrition, the protein gap that blights the productive potential of millions of children; we have not yet beaten the undernutrition that shortens productive life in many nations and robs these nations of the income and the human progress that longer life and healthier bodies would give them.

But we do have the experience and the determination to work with others to solve this problem. Enactment of this legislation will help us to get on with the job.

The CHAIRMAN. A while ago I asked you to be a little more specific.

If you could furnish for the record what other countries have been furnishing during 1966 and 1967, because that is really the time since you have been trying to get assistance from other countries, and because of the fact that we consider this a humanitarian effort and it should be joined in by all other countries, it would be appreciated. What I would like to have is a statement indicating what various countries have actually furnished. You should have 1966.

Mr. ROSTOW. Surely.

The CHAIRMAN. And whatever you know about 1967.

Mr. ROSTOW. We will be very glad to do that.

The CHAIRMAN. And compare that with the efforts which we are putting forth.

Mr. ROSTOW. Yes.

The CHAIRMAN. I think that it will be very salutary to do that and it will make it possible to have this act enacted without any difficulty.

Mr. ROSTOW. We will be very glad to do so.

(The information follows:)

INTERNATIONAL RESPONSE TO INDIAN FOOD CRISIS

In response to the food crisis created by poor harvests in 1965/66 and 1966/67, an emergency relief campaign for food contributions and related assistance was organized under the general auspices of the India Aid Consortium chaired by the World Bank. These contributions represented an effort in addition to the U.S. PL-480 and mutual security food aid commitments previously agreed. The data below refer to the emergency campaigns only.

Prior to the 1966 campaign, no multilateral program of food aid as such existed for India, but the United States, Canada and Australia did provide food aid on a bilateral basis. To put the emergency effort in perspective, the table shows bilateral contributions for 1965 and total United States PL-480 aid to India for all three years.

CONTRIBUTIONS OF FOOD AID TO INDIA

[In millions of dollars]

Donor	1965	1966	1967
Canada	124	71.0	63.9
United Kingdom		21.6	² 38.4
France		8.4	² 12.1
Germany		8.1	24.8
Italy		25.0	(³)
Netherlands		8.3	(³)
Belgium		.2	1.2
Scandinavia		9.9	4.8
Austria		1.8	.7
Australia	(⁴)	9.1	9.8
Japan		2.0	13.2
U.S.S.R.		15.0	
IBRD			50.0
Other ⁵		9.8	
Total, non-United States	31	190.2	218.9
U.S. contributions			159.4
United States, total Public Law 480 ⁴	530.3	557.1	488.1

¹ Canadian and Australian food aid in calendar year 1965 are estimates derived from 1964-65 and 1965-66 fiscal year data.² In addition to their food aid contributions, Italy, France, the United Kingdom, and the Netherlands agreed to alter the criteria for utilization of prior loans to India to permit their more rapid utilization and thereby free foreign exchange needed for food grain purchases.³ 34 countries in 1966.⁴ U.S. fiscal years.

Note: All data are calendar year except U.S. total Public Law 480 sales.

The CHAIRMAN. Are there any questions?

Senator MILLER. Mr. Rostow, I wonder if for the record you would provide us with a table on the quantitative obligations by the Food Aid Convention, say with four columns, showing donor countries and another column showing the domestic tons of their commitment, and another column showing their commitment in dollars, and a last column showing the percentage of each donor country for this?

Mr. Rostow. Surely.

(The information is as follows:)

The record of foreign aid furnished in all forms; bilateral and multilateral, by members of the Development Assistance Committee (DAC) of the OECD to less-developed countries and to multilateral agencies is tabulated below. As DAC has recognized in its aid goal of one percent of each member's national income, the foreign assistance burden borne by a country may usefully be judged in relation to the size of its economy. Accordingly, the gross national product (GNP) of each member state is added for comparative purposes.

	Total official gross flows from DAC members (calendar year) (millions)			Gross national product (billions), 1966
	1965	1966	1967 ¹	
Australia	\$121	\$129	\$140	\$22.8
Austria	42	57	62	10.1
Belgium	102	81	85	18.1
Canada	136	234	290	53.3
Denmark	13	27	28	11.1
France	815	800	868	101.1
Germany	636	594	700	120.2
Italy	210	246	302	61.5
Japan	268	311	322	96.8
Netherlands	62	66	103	20.8
Norway	12	13	17	7.6
Portugal	31	35	35	4.0
Sweden	39	57	70	21.3
United Kingdom	549	586	580	104.7
Total, excluding United States	3,037	3,237	3,604	
United States	3,922	3,985	4,600	743.3

¹ 1967 figures are estimates.

There has been a movement in recent years toward increased international cooperation in the provision of aid. This has been expressed on the one hand in growing contributions from developed countries to multilateral agencies and disbursements from such agencies to less-developed countries, and on the other hand in coordination of bilateral and multilateral aid under the aegis of consortia and consultative groups. Contributions from DAC members to multilateral agencies have grown from \$442 million in CY 1965 to \$483 million in 1966 and \$701 million in 1967. Gross aid disbursements from multilateral sources has risen from \$1,247 million in 1965 to \$1,423 in 1966 and \$1,604 in 1967. Six new consultative groups were organized since 1965 and aid is now coordinated through these and similar mechanisms for 17 developing countries. The following table presents net disbursements by DAC members to multilateral agencies, consortia and consultative groups in 1966.

OFFICIAL ASSISTANCE BY DAC¹ COUNTRIES TO MULTILATERAL AGENCIES AND DEVELOPING COUNTRIES UNDER COORDINATION ARRANGEMENTS, 1966

[In millions of dollars]

Donor	Multilateral agencies ²	Coordination arrangements	Total
Australia.....	14	7	21
Austria.....	7	7	14
Belgium.....	14	3	17
Canada.....	28	157	185
Denmark.....	16	1	17
France.....	27	91	118
Germany.....	36	184	220
Italy.....	90	19	109
Japan.....	51	113	164
Netherlands.....	15	18	33
Norway.....	8	-----	8
Portugal.....	2	-----	2
Sweden.....	33	4	37
United Kingdom.....	56	175	231
Total, non-United States.....	397	779	1,176
United States.....	86	1,489	1,575

¹ Development Assistance Committee of OECD. This table omits contributions by countries not members of DAC. Net disbursements have been used.

² Multilateral agencies include the International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, Inter-American Development Bank, European Development Fund, European Investment Bank, and U.N. agencies.

³ Includes consortia, consultative groups (including group for Morocco which was formally established in 1967), and aid group for Ceylon.

Note: A number of nations in recent years have joined the United States in providing aid in the form of food or related assistance. The record for 1965-67 is inserted below in response to a question by Senator Miller.

Senator MILLER. And then I wonder if you could give us a comparison of that for the years 1965, 1966, and 1967?

Mr. Rostow. What they actually did?

Senator MILLER. What they actually did, so that we will see how this new commitment, under the food aid convention, stacks up with what they have been doing.

Mr. Rostow. You understand that for most of the countries involved, especially the food aid donor countries, the Food Aid Convention is a supplemental obligation which will not disperse entirely the programs we have had as an ongoing matter.

Senator MILLER. I hope that it will be that way. I think that if you will give us those figures that it will be helpful.

Mr. Rostow. We will be very happy to do so.

(The information follows:)

MINIMUM CONTRIBUTION OF COUNTRIES PARTY TO FOOD AID CONVENTION (FAC)

Country	Metric tons (thousands)	Value ¹ (thousands)	Percent
United States.....	1,890	\$120,128	42.0
Canada.....	495	31,462	11.0
Australia.....	225	14,301	5.0
Argentina.....	23	1,462	.5
European Economic Community.....	1,035	65,785	23.0
United Kingdom.....	225	14,301	5.0
Switzerland.....	32	2,034	.7
Sweden.....	54	3,432	1.2
Denmark.....	27	1,716	.6
Norway.....	14	890	.3
Finland.....	14	890	.3
Japan.....	225	14,301	5.0
Other ²	241	15,318	5.4
Total.....	4,500	286,020	100.0

¹ Cash value determined at a U.S. price of \$1.73 per bushel or \$63.56 per metric ton.

² This contribution is reserved for new member governments as they become members of the Convention.

FOOD AID ¹ IN RECENT YEARS BY COUNTRIES PARTY TO FOOD AID CONVENTION

[In millions of dollars]

Donor	1965 ²	1966 ²	1967 ²	FAC commit- ment
Canada.....	19.1	35.5	100.0	31.5
Australia.....	8.3	8.9	10.7	14.3
Argentina.....		.3		1.5
France ³	.4	8.8	13.7	65.8
Germany ³	2.3	10.4	27.1	
Italy ³	.2	25.2		
Netherlands ³	.4	8.7	.6	
Belgium ³	.1	.3	1.3	14.3
United Kingdom ³	1.0	22.6	38.9	
Switzerland.....		1.2		2.0
Scandinavia ³	1.0	10.9	8.0	6.9
Japan.....		2.0	13.2	14.3
Total, non-United States.....	32.8	134.8	213.5	150.6
United States ⁴	1,696.9	1,615.9	1,578.0	120.1

¹ Food aid, particularly in the case of India, includes cash for purchase of food or transport; debt relief to free foreign exchange for commercial food purchases; and fertilizer, seed, and other types of food production assistance. The Food Aid Convention provides for aid in the form of grain or cash for the purchase of grain.

² All data refer to fiscal years.

³ Donations to the world food program during the indicated fiscal years are estimated from data relating to longer time periods.

⁴ U.S. aid includes barter and dollar credit sales in the following amounts: 1965—barter, \$130,000,000; dollar credit, \$156,400,000; 1966—barter, \$277,900,000; dollar credit, \$172,700,000; 1967—barter, \$292,600,000; dollar credit, \$177,200,000.

Senator MILLER. For purposes of complying with the obligations under the Food Aid Convention may the donor countries meet their obligations with food aid or with capital transfers, or with technical aid or with one, or two, or three combinations of those?

Mr. ROSTOW. My recollection is that it is a grain or cash equivalent.

Senator MILLER. A grain or cash equivalent? Why do you not just put that in the record if you can?

Mr. ROSTOW. Sure. The text of this.

Senator MILLER. The text of the Food Aid Convention.

Mr. ROSTOW. Surely.

The CHAIRMAN. That is already printed.

Mr. ROSTOW. That is already printed.

Senator MILLER. Is that the whole thing?

Mr. ROSTOW. It is the message.

Senator MILLER. If you will just put in the paragraph or two, that will be fine.

The CHAIRMAN. Without objection, that will be done.

(The information follows:)

FOOD AID CONVENTION

ARTICLE II. INTERNATIONAL FOOD AID

(1) The countries party to this Convention agree to contribute wheat, coarse, grains, or the cash equivalent thereof, as aid to the developing countries, to an amount of 4.5 million metric tons of grain annually. Grains covered by the programme shall be suitable for human consumption and of an acceptable type and quality.

(3) The contribution of a country making the whole or part of its contribution to the programme in the form of cash shall be calculated by evaluating the quantity determined for that country (or that portion of the quantity not contributed in grain) at US\$1.73 per bushel.

Senator MILLER. Finally, in connection with this Food Aid Convention, are there any provisions therein requiring the self-help principle which we discussed earlier in the implementation of that Food Aid Convention?

I see some of your colleagues shaking their heads.

Mr. ROSTOW. I do not see it. The reason that I hesitate is that I remember a long discussion on this. And that there is a committee to examine, among other things, the way in which the obligations are undertaken under the food aid program, and how they have been fulfilled, and there is a section on food production in the recipient countries, that is, the effect on that. I think that it is more than simply a review of the donor countries' responsibility. I think that the committee is to provide information both of the performance on the part of the donor countries and, secondly, of agriculture development in the recipient countries.

Senator MILLER. Then it would be your purpose to see that although this may not be spelled out directly in the convention, that, as a matter of actual operations, this principle would be carried out?

Mr. ROSTOW. That is right. In any event much of the aid will be supplied bilaterally, and the United States would have the chance to work out self-help provisions.

Senator MILLER. Recognizing that the principle of multilateralism is embodied in that convention, what is the value to the United States of the Food Aid Convention in terms of trade? Has there been anything on that?

Mr. ROSTOW. I do not think there has been any projection on that. I think that it will be dependent upon how the action develops. The expectation is as I indicated before, that under this convention a considerable amount of cash will be available for the purchase of

grain in the world market, and some of those purchases will be made from the United States. That is expressly contemplated in the agreement itself, so that there would be one direct benefit. Over the longer run the basic benefit would be that we will receive recognition of this principle of international cooperation in meeting the responsibilities to fight the war on hunger.

Senator MILLER. And in turn helping the countries concerned develop so that they may provide export markets for us in the long run?

Mr. ROSTOW. That is right.

Senator MILLER. Is that the theory?

Mr. ROSTOW. Yes, sir.

Senator MILLER. Thank you. No further questions.

The CHAIRMAN. There is only one question that I would like to ask. I presume that Mr. Gaud could answer this one.

On my recent visit to India, last December and November, I found many check points within one state which did not permit the transfer of food from its borders to another state and I am wondering what steps you are taking in order to see to it that the food produced in India is properly distributed, because I can well see that unless that is done that there will be some starving in India, no matter what we do here.

Mr. GAUD. I think that you have put your finger on a very important point. We feel very strongly that these food zones as they call them should be eliminated. The Secretary of Agriculture here on my left has expressed this point of view very energetically to the members of the Cabinet and to Ambassador Bowles and to our mission director. We hope that as a result of this good crop and the availability of more food in India with the possibility of—what do you call it—a reserve, a buffer stock, the possibility of a buffer stock, that the Indians will take the necessary steps to eliminate these food zones.

The CHAIRMAN. Is that not something that you could do, or is there not something that you could do to force it?

Mr. GAUD. We are working very hard on it.

The CHAIRMAN. You do this and we will do that, something like that?

Mr. GAUD. We are working hard on it.

The CHAIRMAN. I am sure that every member of the committee has enjoyed talking with you gentlemen and we are very appreciative of your statements. We are indebted to you for furnishing the information you have and that which we may expect in the future.

Secretary FREEMAN. Thank you, sir.

Mr. GAUD. Thank you.

Mr. ROSTOW. Thank you. It has been a pleasure.

The CHAIRMAN. Our next witness is Mr. Hamilton. For the benefit of the remaining witnesses, I wish to announce that I will remain here as long as you are willing to stay, so that we can get through. I have another meeting at 2 o'clock on public works.

We will be glad to hear from you.

**STATEMENT OF DR. D. LEE HAMILTON, DIRECTOR, DIVISION OF
FOREIGN STUDIES, OFFICE OF THE ASSISTANT SECRETARY FOR
EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND
WELFARE**

Mr. HAMILTON. Mr. Chairman and members of the committee, I am Lee Hamilton, Director of the Division of Foreign Studies, Office of the Assistant Secretary for Education, Department of Health, Education, and Welfare. I very much appreciate this opportunity to testify on behalf of the Department of Health, Education, and Welfare in support of section 3 of S. 2986 as introduced by Senator Ellender in February of this year.

May I first offer to the committee for the record three statements which indicate how we in HEW have used Public Law 480 funds for the improvement of various activities in the field of health, education, and vocational rehabilitation.

The CHAIRMAN. They will be made a part of the files of the committee except for the first four pages entitled, "PHS Special Foreign Currency Program," which will be made a part of the record at this point. (The document referred to follows:)

PHS SPECIAL FOREIGN CURRENCY PROGRAM

Funds were first appropriated to the Public Health Service in 1961 for the Special Foreign Currency Program. This Program permits local foreign currencies derived from sales of U.S. agricultural commodities to be used to support scientific activities abroad which not only assist the PHS in achieving its mission, but also, and equally importantly, serve to promote U.S. foreign policy by providing assistance designed to enhance the health and well-being of the people in recipient countries.

Every Bureau of the Public Health Service is actively involved in the Special International Research Program (P.L. 480/808). Projects are cleared individually by the Department of State, and both program and administrative arrangements are handled through the U.S. Embassy in the host country. This mechanism assures the effective coordination of PHS projects with other health related projects which may be sponsored by other agencies in the same country.

Benefits accrue directly to U.S. citizens through the conduct of programs designed to meet the threat of epidemic disease at the source rather than through communicable disease control programs in this country with attendant hazards of dangerous exposures. Indirectly, this foreign research affords the opportunity to acquire knowledge and experience not otherwise available in this country, giving us the ability to deal more meaningfully with comparable health problems here at home.

Advantages likewise accrue to participating countries through programs designed to enhance the development of an effective health structure to meet their own priority health needs. Further, those programs directly improving the health and well-being of the populace contribute to economic development by increasing available effective manpower resources.

Two important elements in the development of new programs are now being stressed. First, they must contribute to the advancement of domestic PHS programs by utilizing unique opportunities available in participating countries and, secondly, programs must be developed so that they contribute to the health needs of the host country. This latter includes not only the health status of the country but its ability to develop the necessary resources to meet its own problems in terms of health manpower and institutional development.

A variety of important and unique opportunities exists in excess currency countries to carry out studies and develop programs of great relevance to the health of the world community. The startling population increases occurring in

many places on our globe present a challenge to all mankind. Accordingly, it is proposed to reserve five million dollars of our request for the support of studies in family planning to help meet this challenge. Projects will include the development and evaluation of contraceptive agents, studies in reproductive biology, and an examination of psychosocial and demographic forces in population growth.

These latter elements are essential to the evaluation of population and family planning programs now being initiated throughout the world. In many cases, these and other programs are carried out on a collaborative basis between two or more countries and, more recently, with the expert advice and assistance of the World Health Organization.

The solution to the problem of providing adequate health services to all the people in the United States can be advanced by the study and evaluation of developing and developed health systems in the various participating countries. Health organization, effective use of funds, manpower, facilities and quality of care can all be enhanced in excess currency countries while we learn from their experiences under a variety of situations.

Epidemiologic surveillance and study on an international basis will continue to contribute to our knowledge and understanding of many diseases prevalent throughout the world and posing a continuing threat to the health of the U.S. population. Advances already achieved in malaria, cholera, and smallpox can similarly be anticipated in plague, venereal diseases, and rabies. Problems which exist in heart disease, cancer, and other great killers of our population can be explored in new and unique ways which hold great promise of assisting us to meet effectively these health hazards.

Excess currency funds will continue to advance communication in the health sciences through translation and review of world medical literature. Programs such as these add greatly to our ability to introduce new health discoveries rapidly and effectively.

PHS excess currency program

Year:	Appropriation
1961 -----	\$3,707,000
1962 -----	9,000,000
1963 -----	2,800,000
1964 -----	4,000,000
1965 -----	1,000,000
1966 -----	5,000,000
1967 -----	10,000,000
1968 -----	15,000,000
1969 request -----	30,000,000

Mr. HAMILTON. These statements, we believe, point up the importance of Public Law 480, since they show a record of substantial progress in American programs of educational research, in projects of American education overseas, in health research, in personnel training, and in physical rehabilitation activities of the Department of Health, Education, and Welfare.

We have studied carefully the provisions of section 3 of S. 2986 and have concluded that, if they are enacted and funded, they could make a substantial contribution to American education from the elementary school through college and university at virtually no extra cost to the Nation's taxpayers. And it is peculiarly appropriate that the foreign currency gained by the use overseas of our agricultural abundance should be used to strengthen foreign studies in our domestic educational system. For, in this way, our foreign produce, sent overseas in response to emergency foreign needs, will support the development of educational programs designed to help future generations of the American people to cope better with the world problems they will face.

As we understand the proposed amendment, funds made available under S. 2986 could be used only for the purposes specifically authorized by the Congress through the laws it has enacted on education. Such funds would supplement the regular appropriations of dollars from the revenues of the United States. Under the amendment, excess foreign currencies could be made available to the Government administrators of these various educational programs so that eligible institutions, for example, colleges and universities, State departments of education, museums, State and local library agencies, public elementary and secondary school systems, etc., could be provided with grants of foreign currencies to carry on activities in furtherance of the legislative aims specified in the respective statutes. It should also be noted that user agencies would first have to prepare an administrative agency budget request and the necessary foreign currencies would have to be appropriated by the Congress through the normal appropriations process.

As conclusive demonstration that American education is eager to improve its competence in international studies, one authority has estimated that the number of international programs in American higher education increased approximately 250 percent from 1957-58 to 1964-65. The U.S. Office of Education alone expects to receive more than 200 requests to support overseas projects with Public Law 480 funds totaling over \$5 million in 1969.

Section 3 of S. 2986 is especially important in consideration of the complexity of foreign studies and the different kinds of institutions and organizations which participate in the American educational system. We believe the pending amendment, by referring explicitly to the major acts which authorize important educational programs that can be supplemented with foreign currencies, serves two valuable purposes:

1. It clarifies questions of statutory authority both for Government agencies and for educational institutions;
2. It gives visibility and emphasis to the possibilities of supplementing tax dollars with foreign currencies already owned by the U.S. Government.

We have two minor suggestions which we believe will improve the language of the proposed amendment in section 3. We recommend that the phrase "research under the programs authorized by title VI of the National Defense Education Act" in lines 15-17 be changed to read "research under programs such as those authorized by the National Defense Education Act of 1958" and that a reference to the Cooperative Research Act be inserted after the comma in line 20. This change has the following effects: First, it removes the limitation of the NDEA to title VI and thereby puts NDEA in the same position as the other acts cited; second, it specifically mentions the Cooperative Research Act, which is important in connection with educational research; and third, it leaves the way open to include under the benefits of Public Law 480 any relevant legislation that may be enacted in the future and for which a strong justification might be made through the regular appropriations process.

Further experience is needed to see clearly all the possibilities offered by the amendment in section 3, but it might be of interest to the com-

mittee for me to share with you some of the ideas which have been advanced by my colleagues as hypothetical ways in which Public Law 480 currencies could be used to improve American education. These examples are intended to be entirely illustrative and in no way to represent a final determination on what activities might be undertaken.

1. An American university might purchase various instructional materials overseas which would strengthen its domestic programs of instruction and research. It might pay for these materials with an allowance from a Government agency of foreign currencies.

2. A university or the national education television (NET) might be awarded a grant to pay part or all of the overseas "soft currency" cost of producing documentary films.

3. An American museum might acquire artifacts, costumes, or other materials illustrating life in the foreign country through a grant from the National Foundation for the Arts and the Humanities.

4. The professional schools of an American university might send selected students to a "soft currency" country to pursue a program made up of part-time advanced study and part-time professional work alongside their professional colleagues of the foreign country.

5. A group of American colleges might send representatives to a country in which Public Law 480 currency is available to work with experienced educators of that country in developing curricular materials in area studies or in the social sciences.

7. An American educational association might establish a program in a Public Law 480 country to sponsor various educational activities, such as supervision of American graduate students preparing doctoral dissertations, the development of curricular materials for American schools, the operation of advanced language training for American graduate students, and so forth.

In summary, Mr. Chairman, the Department of Health, Education, and Welfare believes that the use of foreign currencies to strengthen our educational resources is highly appropriate and that, through the proposed extension, Public Law 480 can make a still more important contribution to American education than it has made so far. In addition, we believe that the act will be strengthened by the language in Senator Ellender's bill which refers explicitly to major educational legislation which authorizes programs that can be funded by Public Law 480 appropriations.

I shall be glad to try to answer any questions the committee may have.

The CHAIRMAN. I presume that it is your view that the section to which you refer does not in any manner conflict with the present law?

Mr. HAMILTON. That is correct.

The CHAIRMAN. It is added emphasis?

Mr. HAMILTON. That is correct.

The CHAIRMAN. That is what I intended. We certainly will consider the suggestions.

Mr. HAMILTON. That is our view, that it clarifies and gives visibility to it.

The CHAIRMAN. That was the idea that I had in mind. Of course, we have a lot of these funds abroad that should be used to our advantage. And I know of no better way to do it than is suggested in the section.

Mr. HAMILTON. We strongly support that.

The CHAIRMAN. Thank you.

I understand next is Dr. Sandoz who desires to testify along this same line. You may proceed. Please identify yourself for the record and give your full name.

Mr. Sandoz.

STATEMENT OF ELLIS SANDOZ, DIRECTOR OF INTERNATIONAL STUDIES, PROFESSOR OF POLITICAL SCIENCE AND PHILOSOPHY, LOUISIANA POLYTECHNIC INSTITUTE, RUSTON, LA.

Mr. SANDOZ. My name is Ellis Sandoz. I am director of international studies and professor of political science and philosophy, Louisiana Polytechnic Institute.

I have a prepared statement.

The CHAIRMAN. Suppose that you put the full statement in the record and highlight it for us.

Mr. SANDOZ. Mr. Chairman, I want to address myself to two aspects of the legislation that is before us.

The first is substantial use for educational purposes of these excess currencies as they are to be found in some 10 countries, at the present time six of which have proved to be attractive to educators as envisaged in the amendment which Senator Ellender has introduced.

The second is to raise in a tentative and exploratory way the possibility for educational use of countries developed under Public Law 480 and countries where we are not in excess supply and what attention may be conceivably given to this.

I think under the first head, the outline of possible uses that Dr. Hamilton in his statement has just given the committee is suggested, if not definitive ways in which these funds can be used with great profit for educational purposes.

I would particularly stress the fact that I see a great benefit to be derived by applying these funds under the Fulbright-Hays Act for purposes of personnel exchange programs. This would not be a one-way sending out, but also a two-way exchange, particularly between the United States and Poland and, also, Yugoslavia where the funds are available and where there are very good opportunities for exchange. This would appear to be particularly attractive, I think, giving the opportunity there not only to reinforce European studies by this means but also serving what is also certainly in our national interest; namely, the reestablishment of historic ties with Eastern Europe which are more than intimate ties—more than a century in duration and have only been disrupted in the period since World War II. I think this will be a particularly opportune use and vehicle of educational exchange which would be beneficial both educationally and in the broader sense I have suggested.

The range of activities is a little difficult to bring into focus, given the amplitude of the legislation that is included and specified in section 3 of Senator Ellender's bill. All of the things are very difficult to bring into focus. I think the important thing is that this gives this an overseeing function in fine dimension to our educational program which reaches from the elementary school level straight through to

the graduate school. And this can be of tremendous value to giving an integrative understanding of the foreign areas, strengthening our language instruction in all of these area levels, and can make an enormous impact on American education, far more than, perhaps, a cursory consideration of the matter would lead one to suppose.

If I may turn to the exploratory dimension of my remarks; namely, to raise the question whether one can conceivably see a utilization of currencies in the 55 countries where there are no excess local currencies being generated under Public Law 480, whether one can, perhaps, explore ways in which these funds being generated by our Food For Peace Act could not be turned into educational advantage and I am thinking, roughly, along these lines, to pinpoint it: what would be the consequences in terms of our fiscal position to amend the amendment, as a matter of fact, so as to insert in S. 2986, after the word "finance," the words, "with not less than 2 per centum of the total sales proceeds received each year in each country?"

Following the cue that the Senator has taken in applying similar language to the problem of population controls, to the problem of education.

In offering this suggestion, I want to make it particularly clear that, in my opinion, the section of the bill bearing on international education as it presently stands is prudent and is entirely worthy of support. It turns into good use funds, which, although ours are inaccessible to us, which are diminishing in value, because of inflation and devaluating practices in certain countries, which can and should be made available to benefit American citizens in U.S. interests.

And I think that the authorization, as set forth in S. 2986, will unquestionably achieve this important objective.

The only question I am raising is the possibility, can we, and perhaps should we, consider doing more? The immediate advantage I see and raise in this question is that such an amendment to the present bill would provide a nearly universal base for support for oversea programs, resulting in an involvement of the American educational community to a much greater extent than is presently possible under existing funding patterns.

The impact of this measure I have tried to suggest in the prepared statement, I think, with statistics, grows out of the fact that last year's agreements, in 1967, agreements under the act, totaled a value of \$912.02 million, of which \$268.85 million was coming from nonexcess currency countries. If one applied the 2 per centum to this, one would be talking quantitatively in terms of about \$18 million for oversea or foreign educational purposes, which happens to be the authorization which is available this year to support all 106 of our NDEA language and area study centers across the country which constitute the backbone of our whole foreign area and language study program.

We would be dealing in this rather simplified and oversimplified, no doubt, quantitative way, and we would, in effect, should this step be taken, be putting as much in the kitty to support oversea education as is presently being supplied on a dollar basis from Federal sources to support our principal program in area language studies, as authorized under NDEA title VI.

So the impact would be, by this measure, at least, very substantial indeed.

I think if I may venture to do so, Mr. Chairman, there are certain arguments in favor of considering this which I should like to put. I believe that such a utilization of Public Law 480 funds would be wholly compatible with the central thrust of our act—of the act as it presently stands—which has as its basic and ultimate objective economic development and an objective which is, in fact, attainable only along with and through educational development and modernization.

The principal objection I see to the proposal is that in these 55 countries, presumably, all Public Law 480 currencies being generated are for governmental operations and this designation of a 2 per centum would have to be offset by a dollar expenditure for the existing activities that are presently benefiting from it—the revenue being generated by Public Law 480. I do not think that I can fully answer that objection.

However, I would offer as a response that the value of giving additional balance to the sensitive cover of world areas are, primarily, educational and of national importance to us. And I am particularly hopeful of greater attention to Latin America, possibly also Western Europe, and the countries of Eastern Europe, where there are no excess funds. That the advantage of doing this would outweigh the disadvantage of this kind of designation.

I think that it is, indeed, vitally important that educational balance, rather than the exigencies of passing the situation, determines the pattern of the development of the Nation's international study programs. This means that more and better attention needs to be given educationally to the areas, in my judgment, which are historically and geographically most closely tied to the United States.

The need for this kind of balance has been widely recognized abroad and most prominently discussed by distinguished citizens under the International Education Act of 1966, when it was being considered in the Congress. Funding for that act, for example, would permit the establishment of a significant number of undergraduates, as well as graduate international study centers located at medium sized institutions, such as my own university, Louisiana Tech, as well as at the large and prestigious universities where these are at present more or less concentrated.

And I think that these are important objectives, and no less important is the International Education Act concerned with Western Europe which would be more effectively studied and understood than it presently is. And area language study centers for that purpose would be established. That is, I am restrained to say, when and if that act is funded.

We have in a sense, perhaps, overreacted in the direction of non-Western studies, not that we know too much about the non-Western areas, but rather that we have neglected the Western areas, and this is a matter that needs and deserves rather urgent attention. And I think a means of doing that to a degree could be found under Public Law 480.

To further these intentions of the Congress in enacting the International Education Act, the pending funding of that act, there is perhaps no more effective or economical way to achieve this balance than through acceleration of academic personnel and material exchange programs, and through other overseas study projects, such as those already envisaged in principle under Senator Ellender's bill. Not only

with the excess currency countries, but also with Western Europe and particularly, with Latin America, which are vitally concerned and of interest to us.

Thank you. I will be glad to answer any questions you may have.
(The prepared statement of Dr. Sandoz is as follows:)

It is a privilege for me to appear before the Senate Committee on Agriculture and Forestry today to testify in behalf of S. 2986. The entire educational community is greatly indebted to Senator Ellender for the leadership he has displayed in fostering international education through introduction of this Bill. I shall address myself only to those provisions of the Bill which will broaden availability of excess currencies generated by P.L. 480 for the purposes of international educational and cultural exchange and of strengthening the resources of American educational institutions in the area of international studies and research capacities.

My own university, the Louisiana Polytechnic Institute, is engaged in the establishment of a wide-ranging program of area and language studies which embraces undergraduate and graduate curricula in American, West European, Latin American, Russian-East European, and Asian studies. Now in its first year of operation, our Center for Comparative International Studies is being funded in part under programs covered by three of the laws in S. 2986 as vehicles for the expanded use of excess currencies—the Higher Education Act of 1965 and the Mutual Educational, Cultural Exchange Act of 1961, and the Elementary and Secondary Education Act of 1965.

International studies is a major new dimension of Louisiana Tech's educational endeavor. We are taking the lead in our region of the country in assisting the establishment of world affairs as an ingredient in the instruction of the elementary and secondary public schools system. Our Center's programs are constructed on a comparative and interdisciplinary basis, so designed as to make them truly intercultural in scope. Hence, we have both a general educational and a specific institutional interest in expansion of the use of currencies generated by sales of American agricultural products under the Food for Peace Program, in accordance with the amendment introduced by Senator Ellender.

There are two aspects of the legislation before us which I should like to comment upon. The first pertains to the use for educational purposes of excess currencies accumulated under P.L. 480, the second to possible educational use of currencies developed under the law which are not in excess supply.

The United States Government possesses balances of foreign currency today in 65 countries, valued at about \$2.18 billion on June 30, 1967. Ten countries holding excess currencies accounted for more than 90 per cent of this sum (\$2.01 billion), and two of these ten held 70 per cent of this \$2.01 billion: India with \$917 million, and Poland with \$474 million. Of the countries holding excess currencies, six are of major interest to American educators: India, Poland, Yugoslavia, Israel, the United Arab Republic, and Pakistan.

In all these countries these substantial balances can be used for a variety of educational purposes, in areas of high political impact, while at the same time a saving in dollar expenditures can be effected.

In Poland, for example, these funds can be used to finance the academic and living expenses of American students and professors who are studying or teaching in Poland under U.S. public and private grants and fellowships. These funds can also be used to finance the travel of Polish students and professors who are coming to the United States as students or visiting lecturers, under the auspices of American public and private institutions. In the past, a major inhibiting factor to the carrying out of productive exchange programs between the United States has been the unavailability of transoceanic transportation which could be paid for in the local currency. It is our understanding that this problem is now disappearing, and that Polish zlotys, for example, can be used for the purchase of transportation on a number of transoceanic carriers which directly reach U.S. air and sea ports.

Educational exchange between Poland and the United States is only limited by financial considerations, and—save for exceptional cases—not by political factors. A substantial increase of educational exchange in both directions would serve to reinforce in Poland the position of those who wish to continue to introduce a greater utilization of Western methods of social organization and economic management. The Polish government appears to place a minimal number of impedimenta in the way of two-way exchanges; and, unlike most other Com-

munist countries, does not insist on the exclusive right of nomination of candidates among its own nationals for foreign scholarship assistance.

What has been said about Poland applies with even greater force to Yugoslavia, where the decentralization of governmental authority allows American academic and cultural institutions to make direct arrangements for exchanges with their Yugoslav counterparts, without recourse to any central ministerial clearing house.

The surplus currencies in question can also be used for other educational purposes in addition to the exchange of persons. For example, in Yugoslavia or Poland these funds can be used for the duplication and reproduction of instructional materials prepared by former exchange students, thereby widening the impact of their individual exchange experiences. These funds could also be used for awards in the case of essay or research contests on topics which would broaden the entrant's knowledge of the United States and of problems of concern to the U.S.A.

The surplus currencies can be used to endow chairs and research centers in American studies. This has already been experimented with in the case of Poland by both United States and British scholarly institutions.

The type of activity described above would serve to enrich American programs in the study of East European problems, an area which at the present time is receiving insufficient attention. Such attention as is directed toward East European problems still bears an anachronistic Soviet emphasis. East European studies developed during the post-Yalta Stalinist era when East Europe was in fact an appendage of the Soviet Union, and there was justification for a joining Soviet and East European studies in consideration of this field.

Now, however, the factors which separate the East European countries from the Soviet Union and from one another are more interesting and probably of greater long-term significance than are those which bind the overall area together. Greater utilization of P.L. 480 local currency surpluses in Poland and Yugoslavia will serve to reinforce this trend. It will certainly help to remove the anomaly of studying the Polish language and literature as a subsidiary branch of a very different "Mother" Russian.

The resourceful expansion of contacts with Eastern Europe made possible by wider use of excess currencies would not only be academically valuable, but it would also serve important foreign policy interests as well. The population of these countries over age forty was educated in a society which was fundamentally pro-American and Western in cultural and political orientation. The historic and ethnic ties with the United States of Poland and the other countries of his area are more than a century old. The loosening of the hold of the Soviet Union in this area can be accelerated and the older historic sympathetic relationship with the United States reestablished through means made available under this legislation.

Leadership from the government in this regard could well stimulate a much greater initiative from the private sector in establishing scholarship programs and in sending teachers, scientists, entertainers, artists, and research scholars into Eastern Europe. East European studies centers in the United States could be greatly strengthened through cooperative exchanges. American Studies programs in the United States, located at more than 80 of our universities, could be encouraged to assist establishment and development of similar institutes at leading centers of learning in Poland and Yugoslavia.

In as much as the Soviet citizens' contact with Eastern Europe is far greater than it is with the United States or with Western Europe, the impact of American ideas, values, and the rationality of free modern government and the free enterprise economy would be transmitted not only to Eastern Europe but to the USSR itself through the medium of this more intensively cultivated common ground. This could have a very significant effect in breaking down the dangerous psychological and intellectual isolation of the "Iron Curtain" countries which continues to persist even today.

A very worthwhile and practical use of these currencies is to cover the cost of translations of works produced in the languages of the countries in question which are often not widely understood in the United States. The translation of such scientific and scholarly material is to the advantage of both United States private and governmental research agencies.

While only Eastern Europe has been discussed here, it is evident that a similar range of benefits to international education and of program possibilities for exchange and research exists in the other countries in which excess currencies are available. Individual teacher and research scholar exchange at all academic

levels, as well as every shade of public school, undergraduate, and graduate level university program in area-language and international studies is comprehended in the acts specified in the amendment to Sec. 3. Section 104(b) (2) of the Act in S. 2986.

It would not appear to be necessary in this place to argue the general merits of international education and the crucial value of overseas study, research, and experience in supplying first-hand knowledge of the foreign areas of the world. Indeed, insofar as education is true to itself, it is inevitably an international enterprise, whatever the field of inquiry. This is as true of mathematics and physics as it is of Eastern European Studies. The value of any measure which facilitates the international movement of students, teachers, and scholars is significant, whether measured in terms of a greater international "understanding" or an enhanced grasp of subject matter. Since relatively little money is available for this kind of activity, the present proposed legislation is of great importance.

As one considers the matter of greater overseas involvement of American education, however, the question arises as to whether yet another step might not be taken beyond that evidently promised by S. 2986 as it lies before us. It seems unlikely that either the national interest or international educational priorities can be correlated with a dichotomy between countries which possess excess currencies generated under P.L. 480 or those which do not have such surpluses. The question then arises whether it would not be an even more valuable modification of the Food for Peace Act to set aside, say, a flat two per cent of annual sales proceeds across the board for the support of international exchange, studies and research. I would respectfully submit for the consideration of the Committee the recommendation that there be inserted in S. 2986 on page two at line eleven after the word *finance* the words: "*with not less than 2 per centum of the total sales proceeds received each year in each country*".

In offering this recommendation I should immediately make it clear that, in my opinion, the section of the Bill bearing on international education as it presently stands is prudent and entirely worthy of support. It turns to good use funds which, although ours, are inaccessible to us, which are diminishing in value because of inflation and devaluation practices in certain countries, and which can and should be made available to benefit American citizens and United States interests. The authorization set forth in S. 2986 would unquestionably achieve this important objective.

On the other hand, it would appear to be quite desirable as well as fully consonant with the law to set aside a modest fraction of the foreign currencies generated by P.L. 480 for international education in *each* of the 65 countries of the world where these currencies are accumulated. The very significant educational objective would thereby be attained of creating new avenues of access to overseas areas which are relatively neglected by our international studies programs and which at present receive little if any financial support for the purposes specified in this Bill from the United States Government. Such an amendment to the Bill would also provide a nearly universal base of support for overseas programs, resulting in an involvement of the American educational community to a much broader extent than is possible under present funding patterns.

The impact of this measure on international education can be suggested by a consideration of the magnitude of the funds involved. In calendar year 1967 P.L. 480 generated total foreign currencies equivalent in value to \$912.02 million of which \$268.85 million came from non-excess currency countries. The designation of two per cent of these total funds for present purposes would authorize an expenditure of at least \$18.24 million for overseas educational activities of a wide variety of kinds. This is, for example, slightly more than the federal support authorized in FY 1968 for all of the existing 106 NDEA Title VI area and language centers which comprise the backbone of our international educational effort across the country. Of the total authorization, some \$5.38 million would be available for expenditure in non-excess currency countries. Such an annual expenditure in local currencies would make possible a significant expansion of our overseas educational effort. This prospect is particularly attractive both in itself and because of the fact that these funds are not otherwise readily convertible for use into dollar equivalents. Their utilization for educational purposes of mutual benefit both to the United States and the individual country concerned should be attractive to both parties and deserves, in my opinion, priority consideration.

To turn more of the P.L. 480 funds to educational purposes along the indicated lines would be wholly compatible with the central thrust of the Act, which

has as its basic objective economic development—an objective attainable only through educational development and modernization. Moreover, the pattern for such across-the-board support of international exchange and education is established in the Act as it is in force as well as in the text of the Bill which proposes a 5 per centum support of “voluntary programs to control population growth.”

The principal objection that I see to the proposal I have outlined is that, should it be enacted, in the 55 countries in which P.L. 480 currencies are not in excess, dollars would presumably have to be supplied to offset part if not all of the 2 per cent designated for international educational and exchange purposes, thereby aggravating the balance of payments problem and slightly increasing the cost of government in a time when economy is needed. This objection cannot be fully countered with a neat rebuttal. It can, however, be suggested that the value of giving additional balance to the intensity of coverage of world areas of primary educational and national importance to us—including especially Latin America, Western Europe, and the countries of Eastern Europe in which no excess currencies exist—supplies adequate justification for this measure.

It is, indeed, of vital importance that educational balance rather than the exigencies of the passing situation determine the pattern of development of the nation's international studies programs. This means that more and better attention needs to be given educationally to the areas which are historically and geographically most closely tied to the United States. The need for this kind of balance has been widely recognized and was prominently discussed in the hearings before Senate and House committees considering the International Education Act of 1966. Funding of that Act, for example, would permit establishment of a significant number of undergraduate as well as graduate international studies centers, located at medium-sized institutions (such as my own) as well as at larger universities. These are important objectives. No less important is the IEA's concern that Western Europe be more effectively studied and understood than it presently is, and area-language centers devoted to that purpose could be established when—and if—that Act is funded. We have overreacted, in a sense, in the direction of so-called “non-Western” studies, and this distortion needs a corrective. To further these intentions of the Congress in enacting the International Education Act (and pending funding of that Act), there is perhaps no more effective or economical a way to achieve this balance than through acceleration of academic personnel and material exchange programs and through other overseas studies projects, such as those already envisaged in principle under the present Bill, also with Western Europe and Latin America.

This objective of “balance” can be pursued without neglect of the national interest. Such broadly based support as is recommended here would help to achieve this goal, by making an airtight and express commitment to the furtherance of international education as a matter of basic national policy.

The CHAIRMAN. I think you have made it clear. A great deal of good will come from that.

I want to thank you.

Next we will hear from Mr. Morehouse.

STATEMENT OF WARD MOREHOUSE, DIRECTOR, CENTER FOR INTERNATIONAL PROGRAMS AND SERVICES, NEW YORK STATE EDUCATION DEPARTMENT, UNIVERSITY OF THE STATE OF NEW YORK, CROTON, N.Y.

Mr. MOREHOUSE. Thank, you, Mr. Chairman.

My name is Ward Morehouse, and I am director, Center for International Programs and Services, State Education Department, University of the State of New York. I have a prepared statement, and in view of the hour, and with your permission, I should like to have that entered into the record and I will try to summarize it.

The CHAIRMAN. You may proceed in that manner and your full statement will be made a part of the record.

Mr. MOREHOUSE. Thank you, Mr. Chairman.

I should like to urge support of the proposed amendment in section 104(b)(2) of Public Law 480, and I would like to dwell on five or six points in this connection. Some of these have been made previously and I will not dwell on them at great length, except to reinforce what has already been said.

I believe that Dr. Hamilton quite accurately portrayed the breadth of interest in the use of these funds for educational purposes within the American educational community. This, in my judgment, is a national interest. It is not confined simply to our large universities.

Dr. Sandoz himself pointed this out. It is of equal interest to many of our smaller undergraduate institutions, as well as to our secondary and elementary schools.

I think in a very real sense what we have seen over the past decade or so is a spread of interest in the study of other peoples and other cultures on a very widespread basis in the country. This is, furthermore, not—in my view—a regional concern. I am associated with several bodies that have representation from virtually all States in the country, and there is active and lively interest in the kind of possibilities that would be opened up by the amendment which you have proposed in Public Law 480.

I think the greatest value of the amendment, as Dr. Hamilton has noted, is that it provides for a clear and forceful expression of congressional intent that excess foreign currencies be used for these broadened educational purposes. There is some language, of course, at present in the act which makes possible a more limited use of these funds, but there is some ambiguity about that language, and I think that the force of your amendment is that it makes it quite unequivocal as to what these funds could be used for.

I have in that connection, Mr. Chairman, one minor suggestion, that the National Science Foundation be included among those agencies enumerated in the proposed amendment, because in my judgment, the National Foundation has an important role to play in strengthening international studies and could make effective use of excess foreign currencies.

I think we all recognize and are indebted to you for pointing this out, the need for greatly accelerated use of excess foreign currencies generated by Public Law 480, lest they be eroded away by devaluation and inflation.

Simply to give you one statistic of the magnitude of this problem, in June of 1966, when India devaluated their rupees, the American taxpayers lost \$485 million, a very substantial sum, indeed, that might have been applied for the benefit of American education.

I would say, finally, that in my judgment, the major bottleneck, however, lies not in the authorizing legislation, but in the appropriations process. I think this is not the time to go into great detail about the complexities about this, but it is true that agencies are reluctant to request these funds, because they are created as dollars in reckoning our overall levels of appropriations and, indeed, in the case of the Department of State in which the Bureau of Educational and Cultural

Affairs is, has found that it has been compelled to accept a larger and larger proportion of its total appropriation in foreign currencies, rather than dollars, and since foreign currencies can only be used in a limited number of countries and dollars can be spent anywhere, I think that this has made some other agencies reluctant to get into this field. I believe there is a solution to this underlying problem of finding a means of freeing a request for use of excess foreign currencies to support American educational programs from the overall levels, the pressures on general levels of Federal spending pressures which, I think, we all recognize today, which are particularly important and critical.

It has been suggested that by completing the transaction involved in the initial appropriation of dollars for the purchase of foreign currencies and their transfer to the credit of the Commodity Credit Corporation, if this were done in 1 year, in the same fiscal year, that this would have the net effect of canceling these out and would not therefore, escalate the overall level of Federal spending.

This is a somewhat technical matter. It would involve collaboration from the Appropriations Committee, the Congress, the Bureau of the Budget, and the agencies concerned, but if some means of this character could be found it would greatly accelerate the use of these funds for the benefit of American educational institutions.

Thank you.

The CHAIRMAN. I happen to serve on the Appropriations Committee and I am one of the ranking members of it. And we have tried to figure out some way of getting this money and we will try to do that. As you pointed out, it is a broad one, and is subject to inflation, subject to devaluation and what have you. And we have tried to figure out some way of getting this—trying to figure out some way to utilize it.

Mr. MOREHOUSE. Very good, Mr. Chairman.

I have included in some detail in my prepared statement remarks on this subject.

(The prepared statement of Mr. Ward Morehouse, above referred to, follows:)

My name is Ward Morehouse. I am the Director of the Center for International Programs and Services of the New York State Education Department. I appreciate greatly the opportunity to appear before you and present my views in support of S. 2986, the extension of the Agricultural Trade Development and Assistance Act of 1954. I shall address myself primarily to the proposed amendment of Section 104(b) (2) of the Act which broadens the authorized use of foreign currencies generated by this Act for the benefit of American education.

The highest educational policy-making body in New York—the Board of Regents of the State of New York—has concluded that:

The explosion of political forces set off by what has come to be known as a Worldwide Revolution of Rising Expectations is having an obvious impact on national and international affairs . . . The imminent redistribution of world power, the growth into prominent nationalism of many heretofore obscure peoples not yet firmly set upon their course, the rising aspirations of multitudes everywhere to share in human dignity and to lessen the gap between the rich and the poor nations are certain to have an impact on education.

The Center for International Programs and Services for which I am responsible was created by the Board of Regents in recognition of this impact on American education. The Center seeks to strengthen opportunities and resources for teachers and students in New York's schools, colleges, and universities to understand the modern world in all of its diversity and complexity.

The view of the New York State educational authorities that our knowledge of the rest of the world is a critically neglected aspect of American education vital

to our national future is not confined to that state. The Congress of the United States has declared it to be the policy of the United States Government that:

... a knowledge of other countries is of the utmost importance in promoting mutual understanding and cooperation between nations; that strong American educational resources are a necessary base for strengthening our relations with other countries; that this and future generations of Americans should be assured ample opportunity to develop to the fullest extent possible their intellectual capacities in all areas of knowledge pertaining to other countries, peoples, and cultures. . . .

The President of the United States, furthermore, stated in his message on international education and health in February, 1966, that:

We would be shortsighted to confine our vision to this nation's shorelines. The same rewards we count at home will flow from sharing in a worldwide effort to rid mankind of the slavery of ignorance and the scourge of disease. We bear a special role in this liberating mission. Our resources will be wasted in defending freedom's frontiers if we neglect the spirit that makes men want to be free . . . the search continues—more urgent today than ever before in man's history.

The range of programs made possible through the use of foreign currencies generated by Public Law 480 in the past and their contributions to the improvement of American education are impressive. These include opportunities for elementary and secondary school teachers and college professors and students to acquire direct knowledge of and experience in other countries vital to our national future, such as India, Pakistan, Yugoslavia, Poland, United Arab Republic, and Israel. (Foreign currencies generated by the sale of American agricultural commodities under this Act and declared to be in excess of normal U.S. Government requirements exist in about a dozen countries in Asia, Eastern Europe, and Africa.) The Library of Congress has developed an extensive program of acquisition of materials published in countries where excess foreign currencies exist for major research libraries throughout the United States, as well as some 300 public and college libraries, many in smaller communities which do not ordinarily have access to this kind of material, in all parts of the country.

I am most familiar with what has been done in India, a country which has been a major interest of mine for over the past decade. There programs of real quality and significance—involving a wide spectrum of individuals and institutions throughout the United States—have been carried on. Among these is the American Institute of Indian Studies—sponsored by some 20 of our leading universities such as Columbia, Cornell, Pennsylvania, Michigan, Minnesota, Duke, Texas, and California—which provides fellowships to senior research scholars, graduate students, and college teachers from the United States to engage in study and research in India. Another important program is one sponsored by the University of Wisconsin to enable American undergraduate students to spend a year of study in India; while the program is administered by the University of Wisconsin, students from colleges in all parts of the country have taken part. And Syracuse University has carried on a pioneering program in international public administration which provides internship experience for young Americans in American agencies in India as part of their professional preparation for careers in public administration, as well as a parallel program to enable high school social studies teachers to learn about changes which are occurring in modern Indian society.

While the New York State Education Department has actively supported Syracuse University's Public Law 480 activities in India and has collaborated closely with most of the other programs and institutions mentioned, our most direct involvement has been with the Education Resources Center, a cooperative undertaking established under the Regents of the University of the State of New York. The Educational Resources Center seeks to strengthen opportunities for study and teaching about India in American schools, colleges, and universities. It provides opportunities for curriculum specialists and social studies supervisors throughout the country to develop their backgrounds on Indian society and learn about material resources available there. It represents a new departure in seeking to enrich and strengthen American education at all levels. And its outreach across the United States has been substantial, including schools, colleges, universities, and state education departments in over 40 of our states.

The proposed amendment to Section 104(b)(2) will broaden opportunities to use Public Law 480 foreign currencies for the benefit of American educational institutions by providing a clear and unequivocal statement of Congressional

intent that these funds may be so used. While it is true that some of the types of activities which would be covered by the proposed amendment to Section 104 (b) (2) are possible under the language of the present Act, the situation is ambiguous in other cases and in still others the Act may not apply at all. The proposed amendment should provide encouragement to agencies of the Executive Branch to make wider use of these funds in the future.

At a time when there is growing concern with governmental economy, the increased use of these funds to improve American education is all the more logical. They involve no new tax monies—and therefore *no additional cost to the taxpayer*—since the foreign currencies are not convertible into dollars for use at home.

There is an additional and compelling reason as the Chairman of this Committee has well recognized. Failure to use Public Law 480 foreign currencies constitutes an actual loss to the taxpayers of the United States because, in many countries where these funds are accumulating in very substantial amounts, the value of the funds is being continually diminished by devaluation and/or inflation. When India (where the largest accumulation is) devalued its currency in June, 1966, the value of Public Law 480 funds in India owned by the United States Government decreased by *almost 60 per cent—an outright loss of \$485 million to the American taxpayer* (our total holdings were reduced from \$1.3 billion to \$833 million). Currencies have been devalued in other countries too—such as Yugoslavia and Israel—with similar losses to the U.S. taxpayer. Every effort to broaden the possible uses of these funds for the benefit of American citizens along constructive lines should be encouraged. Because that is the objective of the amendment proposed for Public Law 480 which I have been discussing, I should like to support its favorable consideration by this Committee and the Congress.

The present situation, furthermore, has an adverse effect on our balance of payments problem. Because the foreign currency appropriation request of the Office of Education for fiscal year 1968 was denied, several institutions with on-going programs in excess foreign currency countries are seeking funds from foundation and other sources to keep their programs going on an emergency basis during the 1969 fiscal year in the hope that appropriations of foreign currencies will again be made by this session of Congress for the conduct of activities in the 1970 fiscal year. These funds will inevitably be dollars which must be spent abroad to support the on-going programs. The amounts involved for each institution may not be large—in the case of our Educational Resources Center in India, as much as \$50,000 in the next fiscal year may have to be sent out of the U.S.—but when several institutions are similarly affected, the total will be more substantial. More importantly, such outflow of dollars to excess foreign currency countries is unnecessary *if* a way can be found to make available more readily than at present the large foreign currency balances owned by the United States Government in countries like India for the benefit of American educational institutions. (Indeed, the situation could even be partially averted in fiscal year 1969, provided Congress appropriates the foreign currencies requested by the Office of Education and the Executive Branch moves promptly to allocate some of these funds to institutions with on-going programs for their current operations in fiscal 1969.)

In addition to dollars spent in excess-foreign-currency countries by colleges, universities, and other educational agencies, American foundations such as Ford and Rockefeller and other private agencies spend several millions of dollars each year in these countries, assisting programs of economic and social development. Use of excess foreign currencies for the *overseas* expenditures of these foundations and agencies (which also spend considerable sums in the *United States*, providing equipment and supplies to support such programs abroad) would reduce the outflow of dollars by several million—at no additional cost to the U.S. taxpayer. It may also be that some overseas expenses of American business firms could in a similar way be covered by excess foreign currencies. Further study of these possibilities and consultation with the agencies and firms concerned would be necessary before specific action could be recommended.

I have one concrete suggestion to make. I note that the National Science Foundation is not included in the amendment, although it is extended to the National Foundation for the Arts and Humanities. In my opinion, there are equally important opportunities for the National Science Foundation to strengthen international studies in some of the countries where excess foreign currencies are available, and I would urge inclusion of the act authorizing the work of that

foundation in the language of the proposed amendment. (The next subsection of Public Law 480—Section 104(b)(3)—deals with translation and dissemination of scientific research but not international studies as such, which is the specific objective of the proposed amendment to Section 104(b)(2).)

In conclusion, I need to stress that while broadened authorizing legislation for use of Public Law 480—generated currencies for educational, cultural and related purposes is highly desirable, the critical bottleneck remains in the appropriations process. Indeed as I have just noted, at the last session of Congress, the House Committee on Appropriations denied the special foreign currency appropriation requested by the Office of Education. Many agencies, furthermore, are reluctant to request these funds because they must be presented as dollar appropriations, thereby enlarging the total dollar appropriation requested by the agency concerned. New ways must be found to clarify the nature of these appropriations before there will be significantly wider use of Public Law 480 funds by the various agencies which would be enabled to seek them under the proposed amendment to the Act.

Agencies which are already conducting overseas educational and cultural activities funded with dollars, furthermore, have come to recognize an additional hazard. In the case of the Bureau of Educational and Cultural Affairs of the Department of State, for example, requests for dollars and excess foreign currencies have been combined by the Congressional Appropriations Committees, and the Bureau is subjected each succeeding year to increasing pressure from the Appropriations Committees to accept a larger and larger proportion of its budget for overseas educational and cultural activities in foreign currencies rather than dollars. Since dollars can be spent anywhere in the world, while foreign currencies can be spent only in those countries which have been found to have accumulations in excess of normal U.S. Government requirements, the Bureau's flexibility in funding programs proposed by American educational institutions or carried out under its own auspices is sharply reduced.

Freeing foreign currency appropriation requests from overall pressures to curb federal government dollar expenditures is essential if these funds are to be used more rapidly for the benefit of American education than they are eaten away by inflation and devaluation. One means is a "wash transaction." This would involve *immediate* transfer (within the same fiscal year) of the dollar appropriation for foreign currencies from the agency spending the foreign currencies to the credit of the Commodity Credit Corporation which owns the foreign currencies, thereby reducing the CCC appropriation request by an equivalent amount. Such a procedure would still follow the normal appropriations process, thus assuring Congress of the opportunity for review and approval of all requests for foreign currency appropriations.

For example, let us consider the \$4 million in excess foreign currencies requested by the Office of Education for fiscal year 1969. Ordinarily this money would be used to fund programs actually carried on in fiscal year 1970, and the transfer of that \$4 million to the credit of the Commodity Credit Corporation (which occurs when the Office of Education buys from the Treasury the foreign currencies it needs for the various programs it is funding) would not take place until the next fiscal year. If, however, the appropriation of \$4 million in foreign currencies to the Office of Education specified that it must be transferred in fiscal 1969, it would be possible to reduce the appropriation for the Commodity Credit Corporation by \$4 million since it would receive a \$4 million credit when the Office of Education transferred its appropriation from dollars into foreign currencies. Thus, the overall level of the federal budget would remain unaffected by this transaction. Such an arrangement would clearly require the cooperation and prior understanding of the Appropriations Committees of the Congress, the Bureau of the Budget, and the agencies concerned.

I am not certain what is legislatively possible for this Committee, but I believe that it would do well to recognize these important inhibitions on the use of Public Law 480 funds by the various agencies and departments of the Executive Branch for the purposes specified by the proposed amendment to Section 104(b)(2) of the Act. I also believe that a strong endorsement by the Committee of new approaches to the appropriation of these funds such as the "wash transaction" which I have described would facilitate their use for the benefit of American educational institutions.

Mr. Chairman, on Monday of this week, I attended a meeting of the National Council on Foreign Area Materials at Baldwin Wallace College in Berea, Ohio.

The Council is composed of eleven regional associations to which are affiliated over 400 colleges and universities in over 20 states from Vermont and Virginia to Arizona, Hawaii, and Alaska—most of them smaller institutions just as vitally interested in strengthening studies of foreign areas as are our large universities like the member institutions of the American Institute of Indian Studies mentioned earlier in my statement. I should like to quote from the March 11 letter by Shepherd L. Witman, the Chairman of the Council's Executive Committee of which I am also a member:

At a meeting today the Executive Committee of the National Council unanimously and vigorously endorsed the proposed amendment to Section 104(b) (2) of Public Law 480. Its passage would contribute importantly to implementing progress toward the international component of higher education in this country which is being sought by almost all American colleges and universities. It would make possible specific programs which colleges and consortia of colleges have long planned but which have been deferred because of unavailability of counterpart funds already held by the U.S. Government.

Passage of this amendment would in some measure, at least, reaffirm the confidence of American higher education in the intention of our government to carry out the objectives stated and implied in earlier legislative enactments on international education. This is particularly significant in the proposed amendment to Section 104(b) (2) since appropriations made to the Office of Education pursuant to this amendment would *not require new tax funds*, would involve *no dollar expenditures abroad*, and need *not enlarge the federal government budget* (if a "wash transaction" based on *immediate* transfer of the foreign currency appropriation from the Office of Education to the Commodity Credit Corporation is used, thereby reducing the CCC appropriation by an equal amount in the same fiscal year). The National Council is especially interested in the passage of this amendment since it coincides with its objectives to advance the standards and capabilities of colleges and universities in international education.

I urge all members of the Committee on Agriculture and Forestry, particularly those who are also members of the Senate Appropriations Committee, to support sound and constructive requests for appropriations of Public Law 480-generated foreign currencies for the benefit of American education in this session of the Congress and in future years.

Thank you again for this opportunity to present my views to you.

The CHAIRMAN. All right, Mr. Wriggins.

STATEMENT OF HOWARD WRIGGINS, NEW YORK, N.Y.

Mr. WRIGGINS. I have a statement here which I am working on and will submit for the record later. I have some brief points that I want to make.

The CHAIRMAN. You may do so, and you may submit it for the record, to be included in the record in full.

Mr. WRIGGINS. Mr. Chairman, I want to confirm, first, that this contribution to our national well-being for our farmers is one of the problems that is just fantastic. I want to concur with my predecessor here that it would be most helpful to be more explicit than we have been before, in trying to identify those educational and other purposes for which Public Law 480 resources should be used.

And I believe, sir, your amendment deals with that aspect of it very clearly.

Thirdly, I do believe that it is important to do whatever we can to expand the use of Public Law 480 funds for educational purposes abroad, and that it is important to make that expansion more reliable than it has been in the past.

And, fourthly, as I see it, there are three purposes for doing this.

I think that American educational enterprises abroad are important to us on grounds of foreign policy insurance. It seems to me that in those areas where we have knowledge in depth large numbers of Americans who are trying to specialize in particular areas, to know them well, we are much less likely to run counter to local hostility, run counter to local interests, much more likely to be able to work out an adjustment of their interests with our interests, so that we do not get into acute conflict.

And, certainly, as American scholars and academic people who work abroad, they work in joint collaboration with people in these other countries. This joint collaboration usually is with opinionmakers, and those who are helping to shape the attitudes and judgments of the coming generation. And it is to be able to work with them and for them to learn about us, and that we do not prove to be the moving type of character which is helpful and is a kind of insurance, not only in helping us to know more, but in helping them to get a different vision of what sometimes we are like.

And I believe that Public Law 480 resources are helpful to U.S. institutions. Mr. Hamilton mentioned a number of ways. And Dr. Sandoz and Mr. Morehouse did, too. I need not elaborate on those.

I would point out that the United States has spent quite a bit of money on national foreign language and regional studies, et cetera. And to be able to use Public Law 480 resources to top off that training, which we buy in the United States, it is an expensive type of training and it takes a lot of dollars to be able to make it easier for those who have had this training in this country to spend some time abroad in areas where Public Law 480 resources are available, and is really a cheap way of topping off that investment and to really consolidate it.

Fifthly, I agree with Mr. Morehouse that the mechanism for releasing these rupees for educational purposes is not satisfactory. It is entirely too unreliable. It does seem each year to be susceptible to whatever difficulties are besetting a specific Government agency to which these funds are made available.

You are on the Appropriations Committee, sir, and you know this problem. It seems to me that we have not yet figured out between the committees of the Congress and the Bureau of the Budget a way, a satisfactory way, of handling what is essentially a bookkeeping transaction, for us to meet two different but by no means incompatible objectives.

One of them is to permit congressional and executive branches oversight and control of these activities. That is important. Certainly, without locking the use of these funds into whatever temporary budgetary problems beset particular agencies, such as the State Department, or the Office of Education, or the Department of Health, Education, and Welfare.

I was very happy to hear a member of the Appropriations Committee state that they are looking into this problem. It particularly struck me this year, for instance, in India, that the American Institution of Study, which you probably know about, sir, put together by Norman Brown at the University of Pittsburgh, essentially, which provides all kinds of services to American scholars, is a channel for

fellowships, for university professors and college students who are winding up their dissertations in India.

It provides a series of seminars for Americans and Indians to participate together. It helps Americans to get to know the right kind of people, so that the amount of friction which sometimes ignorant scholars have when they come into the country, and thereby necessarily create friction, unless they are given guidance—and this American Institute of Indian Studies does this, but last year as you probably know, their whole fellowship program was practically cut to one-third of what it was the previous year, because of the budgetary problems within the United States, so that even dealing with rupees, in this case, they have not been able to carry on their program.

This makes for unreliability of whatever we do, unless we are able to rearrange our funding procedures.

Sixthly, it seems to me that there is a sharp expansion, which I hope it is, of Americans being able to use this type of resource overseas. We want to be sure that we develop some means for reviewing, by whatever means we have, the validity, the sensitivity, the perceptibility of the particular project that the person is undertaking, that anybody with a bright idea to undertaken has to be cared for—a review of it to be sure that the long-run interests of the American university and the scholar community, and the like, do not become disturbed.

And, finally, as I have been sitting here I have been wondering—and I do not have a recommendation even on this—should certain other professional associations, for instance, be mentioned by name in your legislation. I was thinking, say, of a certain research council in my area, which has an interest in Southeast Asia. Perhaps, the Association for Asian Studies might be one of the entities which you would want to mention.

I am not sure that this is a good idea. It probably is not, but it is a question that I raise with you, because you might want to be a little more suggestive as to what additional agencies, in addition to the Science Foundation, might be recipients or channels for these funds.

Thank you very much.

The CHAIRMAN. Thank you.

(Mr. Wriggins' prepared statement is as follows:)

Chairman Ellender, members of the committee, it is a great pleasure to appear before you to testify on behalf of Senator Ellender's amendment to extend the time period for PL 480 and to make explicit the types of educational programs that can be funded from these sources.

While I am at present a Professor of Government and Director of a new Southern Asian Institute at Columbia University, my remarks today will be entirely personal. They derive from a number of years' observation of the working of our PL 480 programs from several perspectives in Washington. From 1958 to 1961 I served as Chief of the Foreign Affairs Division of the Legislative Reference Service. From 1961 to 1966 I was a member of the Policy Planning Council in the Department of State, concerned mainly with South Asian problems. From 1966 until last July, when I joined Columbia, I was a member of the NSC staff in the Executive Office of the President. And now I am concerned with developing a rigorous training program for students interested in working in the main relevant academic disciplines and focusing on South and Southeast Asia, that tumultuous area stretching from Pakistan in the West to Indonesia in the East. Our research is being directed toward those inter-disciplinary problems where economic development and stagnation on the one hand and political change or disorder on the other intersect.

As a result of these activities, I have long believed that PL 480 currencies could materially strengthen our own academic institutions. They can improve our ability to understand other countries' problems and ways of thought. And they can complement and make more effective training programs already agreed to by the Congress and funded through various US government and private agencies.

It is my understanding that over \$900 million worth of such currencies are potentially available to be drawn upon for legitimate and considered activities undertaken with the concurrence of host governments. Thus far, however, American educators have had access to only a miniscule proportion of these. And it has long seemed to me perverse in the extreme that many worthy activities—scholarly and otherwise—could not be funded essentially because of the overly restrictive mechanisms established at one time to correct abuses which developed in the use of counterpart funds acquired through post World War II assistance programs.

To this observer, it has appeared as if the appropriate committees of Congress and the Bureau of the Budget had not yet hit on a satisfactory way of handling essentially bookkeeping transactions so as to meet two different but by no means entirely incompatible objectives: (1) to permit adequate Congressional and Executive Branch oversight and control (2) without locking the use of these funds into whatever temporary domestic budgetary problems were besetting particular agencies such as the State Department, Office of Education or Department of Health, Education and Welfare.

But these are essentially technical problems of management as they are shaped by relations between the Executive and Legislative Branches of this great government, and I do not feel technically qualified to discuss them, except to make just one point. I would hope that these arrangements could be carefully reviewed by this are other appropriate committees in an effort to find more expeditious, flexible and reasonable operational arrangements.

The burden of my remarks, which will be short, concern rather more the present and potential utility of these currencies for U.S. educational endeavors. There are three main points I would like to make.

(1) P.L. 480 resources are, in my judgment, potentially a *kind of insurance* for U.S. foreign policy, insurance taken out with premiums which cost the U.S. taxpayer practically nothing. The insurance comes from two sources.

It comes, in the first place, from having more senior scholars and young people who know a great deal more about foreign countries than their parents, who knew little about these far-away places except perhaps as back drops to exotic adventure movies. I believe it important to our whole nation's approach to the great countries in Asia, where these funds are in generous supply and where our need to understand their problems appears to be particularly urgent.

It is my firm belief, gentlemen, that where we have substantial numbers of Americans well informed about and sensitive to the moods, special angles of vision and interest of important groups in foreign countries, our foreign policies are least likely to run into major error. When we know in depth what other peoples feel, fear, and aspire to, we are much more likely to be able to build together on that range of compatible interests which in the long run is the best basis for a world order where the risks of such conflicts as we are now engaged in Vietnam can be minimized.

The second, and closely related, form of insurance, comes through activities of U.S. scholars and specialists in these countries working in close collaboration with their local counterparts. If done carefully, this will promote a two-way exchange of ideas and help influential men and women in these countries to see how disinterested and desirous of understanding serious U.S. students, scholars and specialists can be. Such representatives of the United States can help dispel the repellent image of ourselves we project on occasion through our movies, our sometimes over-wealthy tourists and those businessmen who are arrogant and impatient.

Accordingly, I see these funds as foreign policy insurance, if we can use them in ways which draw our specialists and theirs together in cooperative enterprise as we train our faculties, graduate students, teachers, and other specialists. Your proposed bill, Mr. Chairman, would, I believe, forward this objective.

(2) I see these currencies as available to *help strengthen U.S. academic institutions*, whether in our large universities, like the one I am presently associated

with, or the many smaller or newer universities and colleges scattered throughout the country.

Support for advanced and Ph.D. research in history, the social sciences, and cultural studies is indispensable, for only thus do we push back the frontiers of knowledge and train our most highly qualified coming generation of teachers. When they return home, they strengthen our faculties. Teacher training programs, if serious and managed with competence, could raise the level of instruction at many U.S. colleges in many ways. Teachers of Asian affairs should have periodic refresher visits to the area. Teachers of philosophy, history, oriental civilization, politics and economics could all profit from a year's immersion in the area again. Even those who concentrate on European civilization, history or culture could broaden their horizons and put the remarkable flowering of European civilization during the past four centuries in a wider perspective, if they had opportunities for intelligent personal experience in Asian cultures. Such activities need not require an elaborate bureaucracy in Washington to administer. Individual institutions throughout the country could make specific arrangements and after their immersion returning students and faculties could bring back to their colleges a more realistic and sensitive perception of the wider Asian world.

In thinking about such programs, particularly if they are accessible to many institutions, we have to be wary of allowing just anyone to go simply because he is part of the academic community. There must be means for reviewing people's qualifications, the seriousness of their interest, the relevance of their programs to their home institutions, and the likely affects in long run relationships if he pursues his interest in the way he proposes. For we must face the unpalatable—but nonetheless real—fact that Americans in host countries using PL 480 currencies, are in effect making a claim on usually very scarce real resources. While these currencies are under U.S. jurisdiction in part, our people must act as if they were guests. They must proceed with tact and understanding. And above all, they must not all descend upon the few scholars and officials who at one time or another have shown an interest in American college and university visitors. If the flow becomes too large, we can overload the circuits of acceptance and turn original hospitality to subsequent resentment.

It was in part this concern which led to establishing in India a most useful institution—the American Institute of Indian Studies at Poona in Maharashtra. I am sure you have heard about its activities. It was sponsored by 20 American universities, but the real drive and vision came from Professor Norman Brown of the University of Pennsylvania. Because it meant putting together concepts, relationships and support from the Department of State, the Office of Education, the Congress, and elements of the Indian Government, Professor Brown devoted I don't know how many months to the enterprise. All activities in India are worked out in agreement with the Indian Government and funded by the use of PL 480 rupees released to a joint Indo-American advisory board. The Ford Foundation has also helped with a grant to cover dollar expenditures for administration here and travel to India. The Institute channels funds to a number of American faculty scholars who want to be in India to do advanced research on some phase of Indian studies, and to highly qualified students who have completed their training and must now demonstrate their ability for creative scholarship by independently writing a Ph.D. dissertation based on work in India. The Institute provides language training. It helps to introduce individual scholars to those Indians who can be most helpful. It facilitates the work of a number of University librarians and bibliographers who, in cooperation with Indian librarians, are rapidly improving library aids for South Asian studies. It runs seminars in which Indian and American scholars participate on subjects of interest to Indian scholars. All these activities are paid for from PL 480 rupees and are expended in cooperation with Indian colleagues.

In the long run this may well prove to have been one of the most important channels for the development of US specialists and collaborative professional activities between Americans and Indians. But the fragility of our arrangements has been dramatically demonstrated this year. Due to budgetary pressure on the dollar budgets of the US agencies through which these rupees were being administered—the Department of State and Health, Education and Welfare—adequate rupee authorizations were not provided for this year. The results, though unintended, have been serious. Last year, the Institute was able to support 18 senior faculty fellows in India and 18 dissertation fellows or a total of 36. This coming year it appears as if no more than 12 awards can be given, a decline of 66 per cent. These numbers seem small in view of the millions in our population

or billions in our budgets. But these activities must be quality activities. And for that they must be sustained. Other worthwhile programs by the University of Wisconsin, State of New York, Department of Education, etc., have had to be similarly curtailed. No really first rate programs designed for maximum return can be mounted if they are subject to such unpredictable, accidental budgetary cuts. At a time when this government is facing increasing difficulties in Southeast Asia, it appears to me to be irrationality of a high order to find ourselves having to reduce such worthwhile programs, which cost virtually nothing in dollar foreign exchange.

Moreover, students undertaking a protracted program of study, involving the learning of exotic and difficult languages, for which they usually receive little academic credit, deserve the assurance that if they do well in their studies they can count on being able to complete their work in the country they have been studying. If, for essentially irrelevant reasons—in this instance budgetary pressure on the State Department and Health, Education and Welfare—foreign currency funds are not available, the culminating stage of their training suddenly becomes impossible. It's as if medical students, after completing their classroom training, could not complete their internship. This is a great shame.

(3) Finally, related to the points just made in relation to the American Institute of Indian Studies, I would add a third main argument justifying serious consideration of this problem—these currencies can help to *consolidate the investment already made in NDFL and similar study programs* undertaken in country. Since the beginning of the NDFL training program, the US government and many universities have been spending substantial sums in dollars here at home to train highly qualified and dedicated young people in language, area studies and in relevant academic disciplines like history, political science, anthropology, sociology, and linguistics to become specialists in certain areas of the world. But as educators we know that the only way to fully consolidate the intensive—and costly—language training these students have been given is to make possible a sustained period in the country where these exotic languages are spoken. A quick summer trip is not enough. A real immersion is necessary. It would cost the U.S. Treasury nothing, but add a very strong confirmation of the government's and our universities investment in these students, if the qualified among them had an opportunity for overseas training at the end of their education to confirm the investment already made. This could be done if we used with greater flexibility the PL 480 currencies that are available in certain countries.

In summary, gentlemen, I have argued that a more artful and expeditions release of PL 480 local currencies would be good foreign policy insurance. These resources could help to strengthen US education institutions. They could be used to help confirm the investment the US government and our universities have already been making in area and language training through the NDFL and similar programs. I conclude, therefore, that PL 480 resources are real assets. And we should examine our present mechanisms to see how they could be improved to serve these worthy purposes.

Thank you.

The CHAIRMAN. We will go off the record.

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

The CHAIRMAN. This concludes the hearings on the three bills I mentioned when we started these hearings. The record will remain open until 3 o'clock Monday afternoon for the purpose of receiving statements from anyone. I hope that when those are received that the record in itself will be prepared for printing. It is my desire to get this bill reported as soon as possible.

(Whereupon, at 1:05 p.m., the committee adjourned.)

(Additional statement filed for the record are as follows:)

NEW YORK, N.Y., March 11, 1968.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: Church World Service is the cooperative overseas relief and rehabilitation agency of 32 major Protestant and Orthodox communions comprising the National Council of the Churches of Christ. We have had the privilege of distributing Food for Peace commodities on a people-to-people

basis since the inception of the program. These commodities have provided a valuable resource in combination with the food, fiber, medical and agricultural supplies and other goods provided by our church members out of their compassion for those in need.

We place on the record our endorsement of the proposal to extend Public Law 480 for a three-year period.

Additionally, we suggest that the intent of The Congress be established to assure that voluntary agency programs receive programmed commodities in timely and adequate amounts, lest these programs involving hundreds of self-help projects and thousands of volunteer workers be disrupted because of temporary shortages of particular commodities or market fluctuations.

Church World Service has tried to be careful stewards of our resources, both public and private. We appreciate the humanitarian concern of this Government as expressed in legislation such as the Food for Peace Program. We commend your efforts to assure its continuation for the increased benefit of the needy overseas whom we mutually endeavor to serve.

Sincerely yours,

JAMES MACCRACKEN,
*Executive Director,
Church World Service.*

WASHINGTON, D.C., March 15, 1968.

HON. ALLEN J. ELLENDER,
*Chairman, Senate Committee on Agriculture and Forestry,
U.S. Senate,
Washington, D.C.*

DEAR SENATOR ELLENDER: I wish to refer to S. 2986, a bill to extend Public Law 480, which is now before your Committee.

At industry meetings in Chicago March 6th and 7th, the Committee on Agriculture and Executive Committee of the Millers' National Federation reviewed the important accomplishments of this legislation over many years and fully support its extension for another three years.

This legislation has resulted in significant increases in exports of United States agricultural commodities, useful market development programs, the encouragement of economic development and improved nutrition with new fortified products. Such activities have been very beneficial not only for the United States but also for all countries involved.

Though the Food for Peace Act of 1966 included a new provision (Section 109) that places special emphasis upon self-help programs in developing countries, to date few, if any, agreements as far as can be determined include and projects or currency uses for improving the marketing and distribution systems in such countries. The experience of the Federation as a Cooperator in foreign market development programs and in working with food commodity trade problems over many years indicate the great need for improving the marketing and local distribution systems in most countries. The lack of facilities for the efficient handling and distribution of imported as well as locally produced food products has been a major deterrent for market development as well as economic development in many countries.

We urge your Committee to recommend more emphasis on new self-help programs for developing effective marketing and distribution systems which are urgently needed in so many of the developing countries.

Sincerely yours,

C. L. MAST, Jr.,
President, Millers' National Federation.

SYRACUSE, N.Y., March 17, 1968.

HON. ALLEN J. ELLENDER,
*U.S. Senate, Senate Office Building,
Washington, D.C.*

DEAR SENATOR ELLENDER: I am sorry that I will not be able to be in Washington to support S2986, extending Public Law 480 until December 31, 1970. I shall be on the West Coast during the scheduled time of the hearings. I hope, however, that this letter will serve to put my views on record.

It goes without saying that I support the extension of the basic purpose of P.L.-480 and the proposed amendments to Sections 104(h) and 109(a). My

particular interest, however, is directed to the proposed amendment of Section 104(b) (2).

This appears to me to be a most constructive amendment, since it explicitly clarifies the legislative authority for the use of P.L.-480 funds in programs which have had wide public acceptance and support, especially in the field of higher education.

I want to add this word to you as a member of the Senate Appropriations Committee: There is pending before Congress the President's request for an appropriation for the Department of Health, Education, and Welfare which includes an item of only four million dollars in surplus foreign currencies for overseas education of Americans. As you well know, the use of these surplus foreign currency funds will have no effect on our current domestic fiscal or balance of payments problems. On the other hand, the failure to use such funds constructively would be a waste of the Government's resources. I strongly urge you to support the requested appropriation.

Will you be so kind as to make this letter a part of the record for the information of members of the Agriculture and Forestry Committee and the Appropriations Committee?

Sincerely,

STEPHEN K. BAILEY,
*Dean, Maxwell Graduate School of Citizenship and Public Affairs,
Syracuse University.*

STATEMENT OF E. CLINTON STOKES, SENIOR ASSOCIATE, COMMUNITY AND REGIONAL RESOURCE DEVELOPMENT GROUP, AND SECRETARY, AGRICULTURE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES

The Chamber of Commerce of the United States appreciates the opportunity to share the views of the general business community with regard to the extension of the Public Law 480 program, more popularly known as the Food for Peace program. The National Chamber is the largest association of business and professional organizations in the United States and is the principal spokesman for the American business community.

We were pleased that P.L. 89-808, the Food for Peace Act of 1966, which expires December 31, 1968, contained a number of major improvements over the previous P.L. 480 authorities, namely, (1) emphasis on population control through family planning programs in the recipient countries; (2) more emphasis on self-help—to expand per capita food production in recipient countries; (3) authority to provide U.S. commodities from open markets as well as from government stocks; (4) greater emphasis on sales for dollars; (5) greater reliance on private trade, particularly small businesses, and (6) more assistance through research, education and technical training.

The National Chamber believes that an orderly expansion of the economies of the less-developed countries of the free world is in the interest of the United States. It engenders higher living standards and greater purchasing power in these countries and thereby enhances the development of expanded commercial markets for U.S. international trade.

It is apparent that there continues to be a need for outside assistance to help close the food-population gap within a number of friendly nations. When people are starving, the principles of international morality place an obligation on the nations with abundant productive capacity to meet the emergency aspects of the food crisis. The people of this country are willing to make some sacrifices in this humanitarian aspect.

Our aid programs should provide assistance in the proper evaluation of the resources and know-how in these countries—natural and agricultural resources, industrial and marketing capabilities, and institutional facilities for the effective application of research and information.

We emphasize, however, that such assistance will contribute to the achievement of the objectives of the P.L. 480 program only if there is a reasonable degree of social responsibility and economic and political stability within such countries. Manifestations of genuine efforts to achieve these conditions should be considered prerequisite to aid, the end-objective of which should be the implementation by the recipient country of remedial measures to reduce and ultimately eliminate the need for extensive outside assistance.

Our assistance programs should be structured so as to enable the recipient countries to learn through demonstrations the advantages of our free-enterprise system over state trading systems. This means that authority for extension

of the P.L. 480 program should place greater reliance on private industry, in the recipient countries as well as the United States, in the sharing of goods, technical assistance, research and information. Our own economic progress and security should serve as a useful example to the less-developed countries in their search for economic stability and in the stimulation of private investment, both domestic and abroad.

To achieve long-term U.S. foreign policy objectives in each area and country, and to engender widespread understanding and support, the concept, scope and administration of our foreign assistance programs, such as P.L. 480, must be continually reviewed and improved.

The National Chamber supports the extension of the existing provisions of P.L. 89-808 with the following modifications:

1. That the program be extended for not more than two years.
2. That the terms of the agreement provide maximum opportunity for transactions through the private sector—both in the United States and in the recipient countries. This should apply to technical assistance, research and information, as well as to the sale of commodities.
3. That commodities, both for sale and donation, be obtained from U.S. commercial market sources at prevailing market prices so far as possible. (This means that producers would receive the full market price for exports under concessional sales and donation programs as well as for regular commercial sales. This would also facilitate the termination of acquisition and maintenance of stocks for sale by the U.S. Government. Existing stocks could be disposed of through donations in a manner which will not be injurious to commercial market opportunities.)
4. That government commitments of commodities for concessional sales and donations be determined and announced publicly well in advance so as to enable producers and marketing firms to provide needed adjustments in production and marketing plans.
5. That the recipient countries be authorized to secure the committed commodities directly from American commercial sources in accordance with their own market specifications.
6. That greater effort be directed to encouraging maximum sales for dollars or on dollar credit terms to assist in the solution of U.S. balance-of-payments problems.
7. That greater encouragement be provided for other free world nations to share increasingly in bearing these responsibilities.

These recommendations are designed to implement more effectively the objectives of the P.L. 480 program and facilitate maximum reliance on our private enterprise system. Limiting extension of the law to not more than two years will serve the need for frequent review and adaptation of the aid provisions to fit the type of assistance needed. It will also permit an objective appraisal of the Food and Agriculture Act of 1965 which expires in 1969 and enable the development of successive legislation with a minimum of interdependence with respect to the provisions of the P.L. 480 program.

STATEMENT OF ROBERT M. KOCH, EXECUTIVE DIRECTOR, COMMITTEE ON THE WORLD FOOD CRISIS

Mr. Chairman, and Members of this Committee, it is a real privilege for me to appear before you in my capacity as Executive Director of the Committee On The World Food Crisis to support extension of the Food For Peace Act of 1966—commonly known as Public Law 480—for 3 years or more.

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

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

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

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

As you who were there know, and as we have all heard at recent Hearings on this complex subject, practically no one objects to the goals but some differ as to the method of obtaining them. They agree with the President's statement in his Agricultural Message when he said in relations to the world food situation: "The clock continues to tick in the developing nations—as the shadow of hunger threatens to turn into a nightmare of famine . . . This (Food for Freedom) lifeline of hope to the needy of the world cannot be withdrawn."

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

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

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

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

This War on Hunger, or Fight for Peace, or whatever you want to call it, is the concern of all the people and the cost should come out of the Federal Treasury and be borne by all taxpayers just as we finance our Military Wars.

Our Committee was organized just a little over two years ago by a group of us who felt that a "citizens group" without any particular program to emphasize, should be formed to mobilize grass roots support for an all-out War on Hunger.

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

The following statistics seem to me to prove conclusively that Peace in the World is attainable.

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

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

The "rich" nations are those with a per capita income of \$750 per year and up. The United States level is upwards of \$2700. 75% of the world's wealth is possessed by 27 of these "rich" nations, although only 25% of the world's population.

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

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

In the case of the other two categories: "the poor, and the middle income" nations, the trend holds constantly true. The statistics of serious violence for these two categories, since 1958, are: 87% of the "very poor" nations, 69% of the "poor" nations, and 48% of the "middle income" nations.

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

We have all heard the literally staggering statistics about the millions of people that are being added to the World. Most of us really can't think in terms of millions and billions—or maybe I should simply say, *I can't*. But when I heard Ambassador Linowitz describe the problem on the basis of every 60 seconds, I found I could visualize it better. He said, "During the next 60 seconds, 200 human beings will be born on this earth. 160 of them will be colored—black, brown, yellow, red. About half will be dead before they are a year old. Of those who survive, approximately half will be dead before they reach their sixteenth birthday. The survivors who live past 16, will have a life expectancy of about 30 years. They will be hungry, tired, sick most of their lives. Only a few of them, if that many, will learn to read or write. They will till the soil, working for landlords, living in tents or mud huts. They—as their fathers before them—will lie naked under the open skies of Asia, Africa and Latin America—waiting, watching, hoping—starving.

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

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

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

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

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

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

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

Everyone attending the Conference was most conscious of the dollar drain on this Nation for its many efforts throughout the World—and, of course, particularly now with the Vietnamese War. However, the question was asked over and over, "why can't we send bushels and tons of foodstuffs overseas without hurting our dollar balance?"

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

One of the principal reasons why this Nation is such an outstanding producer of food is because of our Land Grant Colleges and collaborating County Extension Agents. True, we have teams of land grant college experts around the globe now. But, in my opinion, we have only scratched the surface of this "facet."

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

However, we are not alone and very substantial progress has been made. So much so that the "prophets of gloom" have already been proven wrong. It was my

privilege to present a Citation from our Committee to the Philippine Republic and President Ferdinand Marcos through two Philipppinoes at our Luncheon last Tuesday.

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

Under Secretary Umali told the dramatic story of this farmer who used the new "miracle" rice developed by the International Rice Research Institute, and financed jointly by the Ford and Rockefeller Foundations. His income went up from \$63.00 to \$725.00 per crop from 1.8 hectares of land (about 4.5 acres).

This is not just an isolated case history. As Dr. Umali said, "Except for a few years, the Philippines has, since 1910, imported billions of pesos worth of rice." Then he reported they would have a surplus of rice stocks of 475,000 metric tons by June 1968.

Here is a developing Nation that has proved that they can be helped to help themselves. But, listen again to his words: "Mr. de la Cruz's happy story might be said to have started one hot afternoon when an agricultural extension fieldman (one of 780 AID-financed technicians) paid him a visit." He then went on to recount the de la Cruz story.

Again, I refer back to the many "facets" of the total problem. One of the key points in this success story was a good government "climate", as well as a natural one. The government had pegged the price at \$4.00 instead of \$3.00 per bag of 44 kilos of rice. All too frequently there is relatively little incentive in undeveloped nations for the farmers to make the effort to increase production. And then there are problems of credit, fertilizer, distribution, etc.

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

We firmly believe, by properly mobilizing our American ingenuity, personnel and finances, we can help every Nation attain the basic materials each human being needs to live in dignity. When that point is reached, the hordes which are so susceptible to exploitation when hungry and starving, will be more stable.

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

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

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

Mr. Chairman, the cost of government and its programs have been of great interest to me for many years. When I left my home in Greenfield, Massachusetts, for an education at the University of Massachusetts, I doubt anyone could have been more conservative. I was frightfully scared of the "large" expenditures during the early '30s and the "staggering" national debt.

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

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

Our total gross national product today has crossed the \$800 billion mark and is rapidly heading for a trillion dollars a year. And today our per capita share of the national debt is \$1,642.00. This looks like and is, of course, a substantial figure. But we are making progress and are a lot better off today than we were 20 years ago.

When I left the U.S. Department of Agriculture and took my present position with the National Limestone Institute in 1946, the per capita share of the national debt was \$1,909.00. But the difference between the \$1,909.00 in 1946 and the \$1,642.00 is not the major reason why I say we are better off.

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

NATIONAL DEBT COMPARED TO GROSS NATIONAL PRODUCT

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

While I certainly want to advocate a sound and cautious approach, I fail to see why our Nation cannot afford to spend .005% of its gross national product what literally everyone says is the most serious problem facing the World. And, that is all \$4 billion a year for Public Law 480 would be—.005% of the gross national product.

Although solving the Vietnamese War has us all concerned and it seems to defy all solution, it will be solved—and in our lifetime. This problem of World Hunger cannot be solved in our lifetime, but we must make a more concerted effort than we are now doing, if we are not going to betray the trust of our children and their children's children.

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

STATEMENT OF REV. L. MAYNARD CATCHINGS, COMMITTEE FOR INTERNATIONAL DEVELOPMENT, UNITED CHURCH OF CHRIST; ALSO REPRESENTING THE DIVISION OF INTERNATIONAL AFFAIRS, NATIONAL COUNCIL OF CHURCHES

We wish to recognize the significant contribution that has been made toward alleviation of the problems of world hunger under the provisions of P.L. 480 since its enactment in 1954. However, we are concerned about the fact that the level of food shipments have declined in recent years in the face of increasing need. We would like to go on record as favoring the extension of this legislation along with the expansion of some of its provisions.

1. It is our feeling that the level of authorization should not be lowered at this time and that every effort should be made to secure a full appropriation of the authorized amounts in the future.

2. We would like to see the population control section enlarged and strengthened.

3. We endorse the request for a three year extension of the bill with the hope that this will in no way curtail further efforts to reevaluate the program in the interest of strengthening and improving it.

4. In face of the need for hard currencies in the developing countries for their legitimate development needs, it does not seem practical in terms of promoting long term development to insist on a stepped up conversion to dollar sales at this time.

A greater effort should be made to use the local currencies that accumulate for development of local agricultural productivity and such things as improved educational and health facilities, increased opportunities for cooperatives and credit union development as well as stimulation of local private business enterprises.

In this regard we also support an increased use of Food for Work plans and an increased use of the Cooley amendment and provision 107 for advancement of U.S. private enterprise involvement in developing countries.

As the main goal should be getting the food to those who need it, in certain emergency situations greater consideration should be given to outright grants.

5. We commend the trend to production for need rather than the "disposal of surpluses" approach. In line with this there should be adequate price incentives for an increase in quantity as well as quality of food produced which may better fill the nutritional vacuum.

WASHINGTON, D.C., March 13, 1968.

HON. ALLEN J. ELLENDER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: The American Association of University Women desires to express its support for a three year extension of P.L. 480, the Agricultural Trade Development and Assistance Act of 1954 as amended. We believe much has been accomplished in the years since its enactment in aiding other countries to improve their general well-being, and in establishing markets for our present and future productivity.

We speak from deep concern that is expressed in our membership in the form of intensive study, currently underway, of food and population problems of the developing countries.

In a time of national financial stringency, extension of P.L. 480 seems a very constructive way of maintaining our objective of aiding developing nations. We would like to point out the impressive results of permitting use of counterpart funds to promote academic research and student exchange. We urge that the legislation before you include arrangements for use of counterpart funds for academic research and for interchange of students from this country to broaden the knowledge and understanding of Americans about foreign nations.

Sincerely yours,

MISS GWENDOLEN CARTER,
Area Representative in World Problems,
MISS VICTORIA SCHUCK,
Chairman, Legislative Program Committee,
American Association of University Women.

STATEMENT BY BERT TOLLEFSON JR., EXECUTIVE DIRECTOR, AMERICAN CORN MILLERS
FEDERATION AND EXPORT INSTITUTE

Mr. Chairman and Members of the Senate Agriculture Committee. We appreciate this opportunity to present the views of the American Corn Millers Federation and Export Institute with respect to P.L. 480, better known as the Food for Peace Act of 1966.

We welcome this opportunity to testify in favor of extending, for three years, the Agricultural Trade Development and Assistance Act of 1954 as amended. The achievements of Food for Peace and now the War on Hunger have established these essential and beneficial programs as one of the most successful undertakings in our Nation's history.

The wise use of American farm products has fulfilled humanitarian needs but has also assisted our Nation to meet economic, social and political commitments throughout the world. This Senate Committee deserves great credit for these accomplishments. Having participated in the establishment of the first Food for Peace programs while in the U.S. Department of Agriculture, I am grateful for the opportunity to continue working with you.

Our corn milling industry, composed of 75 member countries in 25 states, appreciates the working relationships we have had with the Congress, governmental departments, voluntary agencies, and other interested parties. Officials in the Departments of Agriculture, State and the Agency of International Development, have done a very effective job of administering the beneficial legislation passed by Congress. The voluntary agencies also have an outstanding record of administering programs and distributing commodities.

Since the initiation of P.L. 480 in 1954, about 4 billion pounds of corn meal have been distributed throughout the world by the U.S. Government and private agencies, creating over 10 million years of life food energy. This 4 billion pounds of golden corn meal has proved, through the years, to be a nutritious and efficient

source of calories and energy in more than 100 countries where corn foods are basic in their usual diets.

Golden corn meal has so many uses in native dishes throughout the world, we expect its use to increase. But research projects of our Federation and other research activities of our member companies are developing other new milled corn products which will make additional contributions toward combatting world hunger.

Beginning in September of 1966 and continuing through the present time, the U.S. Government has purchased over 440 million pounds of a new, high-protein, low-cost, blended food called CSM which is being distributed by governments and volunteer agencies in over 100 countries. This new food has been developed through cooperation of the corn milling industry and government nutrition experts from Agriculture, AID and the National Institutes of Health.

CSM is a formulation of 68% processed corn meal, 25% soy flour, 5% non-fat dry milk and 2% vitamin-mineral premix. The result is a 20% protein food with an adjusted protein efficiency ratio of 2.48 and a nutritionally proved amino acid balance. It is virtually bran free, has a bland flavor and smooth texture for feeding as a gruel, beverage or as dough in such foods as tortillas, empanadas, chapati, enchilladas, etc.

Non-governmental programs for acquisition of milled corn products are exemplified by UNICEF's cash dollar purchase of 7.6 million pounds of CSM for about \$700,000. This CSM will provide 480,000 beneficiaries with a supplementary ration of 80 grams a day for three months. The current issue of *UNICEF News* contains an unforgettable picture of a child in India eating CSM. Another issue of *UNICEF News* referred to CSM use as, "the first attempt in history to introduce a new food product simultaneously to millions of people on a world-wide basis".

While CSM is being used primarily as a new food for infant and child feeding it has appeal for adults also. Several members of this Committee tasted CSM at our recent milled corn products luncheon here in the Capitol. Most of you who attended that luncheon sampled each of the foods including the famous Senate Restaurant corn bread, cheese flavored hominy grits, corn-fed beef and a corn flake cake dessert; but one Congressman liked the CSM soup well enough that he limited his lunch to 3 cups of the CSM which tastes something like split pea soup.

Additional evaluation tests of feeding programs utilizing corn meal and CSM, are presently underway in many countries and the results are very favorable. Our industry is continuing to experiment with various means of fortifying milled corn products to further increase their nutritional values. For example, as synthetic lysine and tryptophane become available in larger quantities at lower prices, fortification of cereal grains will find additional uses in many countries.

As statements and other testimony are reviewed by your Committee, we intend to keep in contact with you offering suggestions and responding to any questions you may direct to us. Our Field Director Juan del Castillo leaves next week for a month's market development trip to several countries including India. Our Asian Field Director, Loyal Leitgen, has been in India and Southeast Asia for four months and he is also preparing information we will have available.

At this time, we do wish to emphasize the importance of planning P.L. 480 programs and commitments far enough in advance to enable farmers to make needed production and marketing plans. In the same context, when industry is required to process American farm products, it is vital that P.L. 480 programs give adequate indications of volume requirements to allow for sufficient industrial capital investment and production scheduling.

We also agree with the emphasis that administrators of the program are placing on use of food for self-help projects that are increasing the ability of underdeveloped nations to feed their own populations. The startling fact is that world population continues to spiral and will undoubtedly rise above 6 billion before the end of this century. It is essential that P.L. 480 implementation continues to be directed at both world food needs and population problems.

Several members of this Committee, government officials and other witnesses have also stressed the importance of expanding commercial markets for American farm products and we also agree with this objective. One of the major benefits of P.L. 480 has been the development of commercial markets. Many nations, which only a few years ago were recipients of Food for Peace and other aid programs, are today leading customers for American farm products, including: Japan, Taiwan, Korea, Israel, Spain, and several South American countries.

We will not repeat the statistics as to world food needs with which your Committee is very familiar. We would only join with you in agreeing to the urgency of this project and suggest that no program of our Nation is more vital than the wise use of food from our agricultural heart land in meeting human needs and increasing political, social, and economic stability in a troubled world.

The corn milling industry in cooperation with American corn farmers will continue to work with all interested parties in any feasible way on the vital problems of alleviating world food needs. We are increasing our efforts in various projects aimed at improving world nutrition and expanding commerce as essential elements of world peace.

Thank you.

NEW YORK, N.Y., March 18, 1968.

HON. ALLEN J. ELLENDER,
*Chairman, Committee on Agriculture and Forestry, Old Senate Office Building
Washington, D.C.*

DEAR SENATOR ELLENDER: This is a follow-up to my recent telegram to you, urging that you and your Committee on the extension of Public Law 480, 83rd Congress, consider expanding the use of foreign currencies for research and demonstration projects in health, disability and rehabilitation to all foreign nations with which sales contracts are negotiated.

I have been following this program since its inception, and my associates and I have personally visited a number of these projects in Poland, Yugoslavia, Israel, UAR (Egypt), Pakistan and India. Much is being achieved in the research and demonstration projects for health and disability in these countries, which is not only of great benefit to the countries themselves but also in the development of new and significant knowledge in health, rehabilitation and prevention of disability among our fellow Americans.

Unfortunately, this program has been restricted to those few countries where the United States-owned foreign currency is considered to be "excess to normal requirements" of our own government. As a result, the program is limited currently to but ten countries.

The World Rehabilitation Fund, Inc. a voluntary organization of which I am the President, has worked very closely with the officials of the Department of Health, Education and Welfare in these projects. Last December, for example, a highly successful training program in prosthetics and orthotics was completed at the Government General Hospital in Madras, India, with trainees from these projects throughout India.

At a very small cost, United States-owned foreign currencies were used for the trainees' living stipends and other expenses. The World Rehabilitation Fund, Inc. contributed the services of the Director of the course, Mr. Juan Monros, and considerable teaching supplies and equipment.

You can see the importance which I attach to this program by the enclosed articles.

With deep appreciation for the thoughtful consideration I know this request will receive, I am,

Sincerely,

HOWARD A. RUSK, M.D.,
President, World Rehabilitation Fund.

(The articles referred to are on file with the committee.)

STATEMENT OF JOSEPH O. PARKER, CHAIRMAN, INTERNATIONAL TRADE DEVELOPMENT BOARD, AND HAROLD M. WILLIAMS, PRESIDENT, INSTITUTE OF AMERICAN POULTRY INDUSTRIES

The United States poultry and egg industry's International Trade Development Board and the Institute of American Poultry Industries supports H.R. 15693 which would extend the Agricultural Trade Development and Assistance Act of 1954 for three years.

The poultry industry through these organizations cooperates with the Foreign Agricultural Service of the United States Department of Agriculture in carrying out market development programs for poultry and eggs in foreign countries.

The Agricultural Trade Development and Assistance Act, as amended, which is often referred to as P.L. 480, has been a major factor in the development of a growing export market for United States agricultural products. Agricultural exports not only serve to strengthen farm prices but they are making a major contribution to the nation's balance of payments. Agriculture represents a basic and national asset which is replenishable. The development and maintenance of export markets for our agricultural products is vital to the well being of our national economy.

This Committee and the Committee on Agriculture and Forestry of the United States Senate recognized this fact when P.L. 480 was enacted. Both Committees have given continued recognition to the importance of, and need for, continuing and strengthening the agricultural market development programs conducted through, and in cooperation with, agricultural trade groups with almost every amendment to, or extension of, P.L. 480. These programs are the direct outgrowth of the leadership of the committees on agriculture of the House and Senate, and of the legislation initiated by them.

Because of the great emphasis which is placed on the Food for Peace aspects of this legislation and the need for supplying food to the less developed areas of the world, the importance of market development and the benefits of market development activities to American agriculture and to our national economy are frequently overlooked. We, therefore, wish to commend this Committee for its farsighted leadership and urge that it continue to emphasize the importance of market development programs.

We would like to add at this point, as a part of our statement and as a part of this record, the report which was made to the Subcommittee on Foreign Agricultural Operations of this Committee by the Honorable Clifford R. Hope, a former Chairman of this Committee. The report was made by Mr. Hope on behalf of the trade groups with whom the Foreign Agricultural Service cooperates in carrying out market development programs. This report contains a brief review of the legislative history and congressional policy with respect to the market development activities under P.L. 480 and points out the lasting benefits being derived by American agriculture from the use of comparatively small amounts of foreign currencies which are being generated by P.L. 480 sales. The record of the meeting at which this report was made was not printed and we believe that the report will indicate the need for the extension of this important legislation.

We would like to add a few brief comments with respect to the importance of this program to poultry and eggs and their products.

The development of a market for U.S. poultry products under P.L. 480 is an outstanding example of success in building export markets in spite of a wide variety of handicaps.

Prior to 1956 the United States exported very little poultry meat commercially. Under the authority of P.L. 480 broad range market development programs were instituted under partnership agreements between USDA and the Institute on behalf of the U.S. poultry and egg industry. We have had to be diplomats, traders, negotiators, promoters, and merchandisers. Through our own government we have worked with governments of other countries to try to overcome all kinds of trade barriers—tariffs, license controls, barriers under the guise of health regulations and other non-tariff barriers. We have had to overcome the prejudice against frozen poultry—even change eating and cooking habits.

Market development programs have given the poultry industry a new dimension. The industry has put forth great efforts to build a favorable image abroad for U.S. poultry and into promotion to build total consumption and enlarge the total market.

Nearly 100 countries are now buying U.S. poultry. The bulk of poultry sales have been for dollars.

United States poultry products are still relatively new in export markets. They are demonstrating daily their ability to compete in foreign markets if given the opportunity to do so. We have a good beginning, but exports are important to the poultry industry and we need to maintain and expand them through the

continuation of market development programs made possible through the Agricultural Trade Development and Assistance Act of 1954.

Mr. Chairman, we urge the Committee to extend the Act to December 31, 1971.

(The statement referred to above is as follows:)

STATEMENT OF CLIFFORD R. HOPE BEFORE THE SUBCOMMITTEE ON FOREIGN AGRICULTURAL OPERATIONS, HOUSE COMMITTEE ON AGRICULTURE

Mr. Chairman, my name is Clifford R. Hope. I am submitting this statement on behalf of a number of cooperators in the foreign market development program which has been set up by the U.S. Department of Agriculture under the provisions of the Agricultural Trade Development and Assistance Act of 1954, usually referred to as Public Law 480 of the 83rd Congress.

I want to begin by expressing to this Subcommittee the very deep appreciation of the cooperating organizations and myself for affording us the opportunity to make this report. We fully recognize that it was the leadership and foresight of the Committees on Agriculture of the House and Senate which brought these market development programs into being. This leadership was provided at the time of the enactment of Public Law 480 and has continued through all amendments thereto and extensions thereof including the extension last year.

The importance and scope of the Market Development program to American agriculture is illustrated to some extent by the many important agricultural commodities which are represented by cooperating organizations. Geographically all parts of the nation and almost all commodities are represented.

Expanded markets for American agricultural products is the one primary and lasting benefit which was sought to be achieved for United States agricultural producers through Public Law 480.

Following World War II American agriculture, as a result of the spur of massive technical advances and increased production which had been brought about to meet war demands, was faced with increased supplies and dwindling export outlets. Markets which had been supplied through war time measures and aid programs ceased to be markets as these programs were curtailed. Practically all countries were experiencing a lack of foreign exchange. The Committee recognized this and sought to remedy the dollar gap by authorizing the sale of agricultural commodities which were in excess to our needs for foreign currencies. It also recognized that supplying agricultural commodities for foreign currencies to overcome a lack of foreign exchange was only a part of the picture.

To meet this situation the Committee chose to blaze a new trail, to plow virgin soil and pioneer a new method for strengthening foreign markets. Under P.L. 480 the Committee proposed not only to authorize sales of surplus agricultural commodities for foreign currency to friendly countries experiencing balance of payments problems but it provided authority and policy direction to carry out a program of foreign market development designed to develop and expand markets for these products. The legislative history in connection with the passage, renewal and extensions of the Act indicates that there were three things uppermost in the minds of the Congress in passing the legislation; namely (1) endeavor to make it possible to sell our accumulated supplies of agricultural products, (2) maintain, expand and develop markets for current production of these products and (3) preserve the functions and identity of our private trade.

The events of the past twelve years have clearly demonstrated the wisdom and foresight of the Congress.

P.L. 480 went into effect early in July 1954. For the fiscal year ending on June 30 of that year, our total exports of agricultural commodities were \$2,936,000,000. Of this amount, \$2,331,000,000 was commercial sales for dollars. For the fiscal year ending June 30, 1967, it is estimated that our agricultural exports will reach a total of \$6.8 billion. Of this amount, it is estimated that \$5.3 billion will be commercial sales for dollars. In the past thirteen years, our total agricultural exports increased by 132% and our commercial sales for dollars by 130%. During this period, agricultural exports have increased at a faster rate than nonagricultural exports. They now are about a fourth of the total U.S.

exports. They have covered a wide range of commodities and every state in the Union has benefited from them. In fact, about half of the U.S. agricultural exports today consists of products that were insignificant in international trade before World War II. Most of the increase in agricultural exports has been to the hard currency areas. It goes without saying that the foreign exchange received for these exports has contributed materially in helping with our balance of payment problem. These exports also serve to strengthen our domestic economy and have been a major factor in effectuating our foreign policy and in assisting our efforts to support peace and freedom.

Trade expansion in the billions of dollars does not just happen by itself. While the spectacular expansion which has taken place in agricultural exports is due to many factors, certainly one of the most important is the cooperator market development program set up under the authority of P.L. 480. We believe that as time goes on, this program will assume even greater importance. This is not only because of the increase in world productivity and buying power but also for the reason that much has been learned by both Foreign Agricultural Service and the cooperators in the program. In the beginning, there were few guideposts to go by. It was very much a matter of trial and error. There were not as many unknown factors involved as there are in putting a man on the moon, but there were a lot of problems which could only be solved by experience.

But this is no time for any of us to rest on our laurels. While this country has gone far and done much in expanding trade in agricultural products, our competitors have not been idle. Competition is increasing and we can expect it to continue to do so, as other countries expand their production and intensify their marketing activities. These countries are also using trade barriers, subsidies, and other devices to take our markets away.

There is increasing evidence that the world trend toward freer trade is slowing down and may actually be receding. The time is here when we, who are interested in expanded agricultural trade, whether in government or out, must redouble our efforts, increase our cooperation, and take such action as will assure equitable and competitive market access for our products. Otherwise, our hopes and dreams of expanding world trade on a basis of comparative advantage and the efficient allocation of resources will disappear as subtly as the smile of a Cheshire cat. We must not permit our markets abroad to be destroyed or to be taken away because of our unwillingness to fight and compete for them.

With the Committee's permission I would like to take a few moments to review the legislative history and congressional policy with respect to market development activities under the provisions of Public Law 480, and especially the use of foreign currencies for that purpose. Although the intent of Congress on this question was quite clear, there appears to have been considerable reluctance in the Executive branch of the government, especially in the Bureau of the Budget, to recognize and accept the clear and definite direction of the Congress on this matter.

At the outset it was completely discretionary with the Executive branch to determine the amount of foreign currency generated under the sales of agricultural commodities under Public Law 480 which would be made available for agricultural market development. In order to make certain that ample foreign currencies would be made available for market development purposes, the Congress, in 1959, found it necessary to write into the law an amendment to section 104(a) which directed that the equivalent of not less than 5 percent of the total foreign currencies received from the sale under Title I be set aside and made available for the purposes of market development.

The report of the House Committee on Agriculture on the 1959 amendments contains the following explanation: "Despite the clear intent of Congress, adequate foreign currencies are not being made available in the principal commercial areas for this important work. To insure that sufficient amounts of these foreign currencies are used for market development as authorized under section 104(a) of Title I, this section directs that the equivalent of not less than 5 percent of the total sales under Title I be made available for this purpose. This will eliminate the delays and difficulties which have been involved in the process of allocation by making this minimum amount available to the Secretary of Agriculture for this purpose."

However, the Bureau of the Budget, in submitting its recommendations to Congress on the agricultural market development program, has often disregarded the provisions which gave priority to the use of foreign currencies for market development and earmarked 5 percent of the total sales proceeds and loan repayments for that purpose. Actually, in its recommendation for fiscal year 1960, the Bureau suggested language which would have prevented the use of any foreign currency for market development in dollar market countries. Fortunately, Congress rejected the proposal.

In the budget which the Bureau sent to Congress for fiscal 1961-62, it went even further in its efforts to thwart the intent of Congress in the use of foreign currency for foreign market development. On this occasion, the Bureau apparently chose to forget that there was such a law as P.L. 480 and that market development programs had been carried out under its provisions for several years. It entirely ignored the law and set up an item calling for an appropriation in dollars for "market development activities abroad" under Title VI of the Agricultural Act of 1954. This title concerns agricultural attachés and its principal purpose is to transfer them to the Department of Agriculture. It has no connection whatsoever with market development under P.L. 480. The object of the Bureau in using this subterfuge was apparently to get away from the plain language of P.L. 480, as well as its legislative history, which pointed out specifically that foreign currencies were to be set aside and used for market development purposes. Again, Congress did not accept the viewpoint of the Bureau, and the appropriation was made in accordance with the provisions of P.L. 480.

Later, the provision that 5 percent of the foreign currency derived from sales under Title I be set aside for market development purposes became ineffective mainly because the currencies which were set aside consisted of currencies which could not be used in countries which offered the greatest market development potential.

The Committee on Agriculture again manifested its leadership to make certain that foreign currencies of the type and kind needed would be available for agricultural market development purposes. Public Law 480 was amended in 1961 to require that Title I sales agreements contain a provision that not less than 2 percent of the proceeds of future P.L. 480 sales and loan agreements be freely convertible into the type and kind of currencies needed for market development. The action of the Congress in specifically directly that not less than 5 percent of the foreign currencies received under Title I sales be set aside for market development, and the latter amendment providing for the conversion of not less than 2 percent of the total sales proceeds, clearly indicates the deep importance which this Committee attached to market development. As a result of these amendments it has been possible for the government to finance the cooperator market development programs almost entirely from foreign currencies.

Members of the Committee will recall that prior to the enactment of Public Law 480, the Congress had repeatedly given to the Department of Agriculture, in numerous pieces of agricultural legislation, both the authority and funds to help expand foreign markets for United States agricultural products. While undoubtedly much good work was accomplished under this authority, in the main such efforts consisted largely in gathering statistical information and making of reports, with the exception of limited export payments to increase competitiveness of certain United States agricultural products. It was not until the establishment of the cooperative market development program under Public Law 480 that promotional and sales drives were actually organized and used in foreign market areas.

I am certain that the function of the cooperators and their importance to the success of the market development program is not fully understood, even by many people in government, particularly those who have only come on the scene in recent years.

The key to the success which has been achieved in market development under Public Law 480 in my judgment, has been the enlistment of the assistance of the producers and private trade through non-profit industry-wide commodity organizations to actually carry out market development activities. This fact

distinguishes market development under Public Law 480 from all other market development efforts carried out under prior legislation. Both the Committee and the Department of Agriculture recognized that the Department, as an agency of Government, was not in a position to establish the relationships and understanding which are essential to the expansion of international trade. It was also clearly understood that activities to expand the private trade could best be carried out through the private trade. Consequently, in the very beginning, the Department properly invited the non-profit trade organizations to enter into cooperative contracts or arrangements to develop and carry out market development programs best suited to the needs of the particular commodity involved.

In the market development program government, producers and industry work together as a team in a cooperative effort to achieve a national objective. The Government's principle role should be to obtain fair and equitable access to foreign markets. It also provides the foreign currencies necessary to carry out the program abroad together with policy guidance and supervision to see that it is carried out in accordance with the provisions of Public Law 480, as amended. The cooperating producer and trade organizations bring into play commodity knowledge and expertise, sales drive, trade judgment, and serve to stimulate sales efforts of the United States industry.

Although the Congress did not require these non-profit producer and trade organizations to pay any of the costs of the programs which could be met with the foreign currencies made available under the law, in order for them to cooperate and assist in the market development program, they do contribute greatly to the success of the programs and their assistance results in substantial costs to them. These non-profit organizations as such do not benefit from the programs. All foreign currencies received for market development go into approved program operations. Their sole objective is to expand markets for agricultural commodities. The benefits of their efforts flow to domestic producers and to the national economy generally, just as do the efforts of the employees of the Department of Agriculture.

The non-profit trade organizations have not only indicated their willingness to cooperate, but they have met the necessary dollar costs in the United States for overall supervision and backstopping. By enlisting the interest, support, supervision, expertise, and assistance of these groups, the Department has been able not only to provide the framework for successful market development activities, which the government itself could not have provided, but through their activities they brought into being, as I have said, the strong interest, sales drive and energies of the private traders essential to the development of private trade.

The cooperators have provided valuable assistance without charge or cost to the government in the carrying out of market development programs and are capable of developing trade interest and relationships with foreign buyers which government officials cannot do. Cooperators have also saved the Department thousands of dollars which would otherwise have been incurred and have made it unnecessary to increase government personnel which would have been employed by the government if it were to attempt to perform any of the functions performed by the cooperators.

More than that, the cooperation of industry and government for the benefit of U.S. agriculture cannot be measured in monetary terms. It is a program that is unique in government history.

We believe that this new concept of forging together the unique capacities of non-profit private trade groups with those of Government in agricultural market development a real success story. It has proved to be a practical and effective way to carry out market development.

We realize that there have been some criticisms of Public Law 480 market development programs. This was bound to be the case. After all, this has been an entirely new field both for the Government and for most of the cooperators. There have been misunderstandings and some mistakes. But, the cooperators along with the Department have worked, and are working constantly to improve these programs. We believe, that they are soundly based and that there is better understanding of our market opportunities, our objectives, and of our problems than ever before. In all likelihood, there will be mistakes in the future. But complete inaction is the only way to insure against mistakes and that would be the greatest mistake of all.

There have also been criticisms by persons who are uninformed as to program or policy objectives or who may have no concern or responsibility for effectuating the objectives of the legislation. This is another reason why we desire to keep this Committee fully informed because it is the Committee which has the responsibility for policy and on whose guidance we wish to rely.

The job of Government and non-profit cooperating trade groups is to open up markets, stimulate demand, provide market opportunities, stimulate sales drives, and increase exports of United States agricultural products. They have to ream out the pipe lines and remove the barriers to trade so that trade can flow. These are jobs which neither the Government nor the Cooperators can do alone, but working together they can accomplish much. Cooperator organizations vary widely in their size, natural resources, and method of operation. No two are exactly alike just as no two commodities are exactly alike. They cannot be treated exactly alike. The market opportunities and problems of different commodities necessarily must have different treatment. Some commodities have been in foreign markets for many years and their principle competition is in the form of substitutes such as competition which cotton is experiencing from synthetics. Other commodities have problems of market access, because of trade barriers which have been erected, merely because they are competitive. Other commodities are relatively new to foreign markets and need specialized introductory type programs. Others are faced with subsidized competition and need programs to make them competitive. Much effective market development work also can and should be carried out in less developed areas which are not commercial markets now but will be as their economies develop. So the extent, character and type of market development programs which are to be carried out must provide for broad flexibility. It would be a great mistake to attempt to standardize market development programs or to take any action which would restrict imagination, destroy initiative, or eliminate trial and error in coping with the many changing and difficult conditions confronting United States agricultural products in world markets.

Mr. Chairman, I hope that our brief review and report will be helpful to the Subcommittee in its review of this vital program. We are intensely interested in it and desire that it be carried out in a way which will meet the expectations and hopes of the Congress in enacting and extending the legislation which made it possible.

On behalf of all of the cooperators represented, I desire to thank the Subcommittee for hearing us at this time and to request your continued support for this program which is so important to the long-term future of American agriculture.



