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AGRICULTURAL ACT OF 1968

GOVERNMENT

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HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

S. 3590

A BILL TO EXTEND AND IMPROVE LEGISLATION FOR MAINTAINING FARM INCOME, STABILIZING PRICES AND ASSURING ADEQUATE SUPPLIES OF AGRICULTURAL COMMODITIES

JUNE 24, 25, AND 26, 1968

Printed for the use of the Committee on Agriculture and Forestry



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(II)



CONTENTS

Statement of—	Page
Bean, I. W., chairman, National Soybean Processors Association.....	184
Brooks, William F., president and general counsel, National Grain Trade Council.....	126
Burdick, Hon. Quentin, a U.S. Senator from the State of North Dakota.....	58
Connor, Roger L., executive secretary, Independent Livestock Marketing Association, Columbus, Ohio.....	189
Creed, Joseph M., general counsel, American Bakers Association and Biscuit and Cracker Manufacturers' Association.....	158
Dechant, Tony T., president, National Farmers Union.....	49
Dunkelberger, Edward, on behalf of the National Canners Association.....	80
Farrington, Carl C., chairman, agriculture committee, Millers' National Federation, Minneapolis, Minn.....	114
Frazier, R. Frank, executive vice president, National Broiler Council.....	147
Freeman, Hon. Orville L., Secretary of Agriculture.....	11
Goodall, Don A., general manager, legislative action, Chamber of Commerce of the United States.....	128
Graham, Harry L., legislative representative, National Grange.....	53
Greiner, Fred J., director of public affairs, Milk Industry Foundation.....	151
Hampton, Robert N., director, marketing and international trade, National Council of Farmer Cooperatives.....	57
Heffelfinger, Frank, chairman, executive committee, Grain and Feed Dealers National Association, Minneapolis, Minn.....	156
Heinkel, Fred V., president, Midcontinent Farmers Association, Columbia, Mo.....	44
House, Bill, president, American National Cattlemen's Association, Cedar Vale, Kans.....	95
Johnson, Reuben L., director, legislative services, National Farmers Union, on behalf of Tony T. Dechant, president, National Farmers Union.....	48
Killick, John A., executive secretary, National Independent Meat Packers Association.....	180
Lawson, W. D., III, president, American Cotton Shippers Association.....	169
Lugbill, Charles, president, Independent Livestock Marketing Association, Columbus, Ohio.....	179
Magdanz, Don F., executive secretary-treasurer, National Livestock Feeders Association, Omaha, Nebr.....	107
Marsh, Edwin E., executive secretary, National Wool Growers Association, Salt Lake City, Utah.....	179
McSweeney, E. S., executive vice president, Arizona Cotton Growers Association, Phoenix, Ariz.....	181
Mennel, Donald M., president, National Soft Wheat Millers, Association, Fostoria, Ohio.....	121
Nelson, D. G. "Bill," executive vice president, Grain Sorghum Producers Association, Amarillo, Tex.....	168
Norton, E. M., secretary, National Milk Producers Federation.....	60
Phelps, Charles, president, National Livestock Feeders Association, Hastings, Iowa.....	107
Ray, Oakley M., vice president, American Feed Manufacturers Association.....	175
Rhodes, F. Marion, president, New York Cotton Exchange, New York, N. Y.....	172
Ribicoff, Hon. Abraham, a U.S. Senator from the State of Connecticut.....	174

Statement of—Continued

	Page
Sayre, Charles R., chairman, committee on industry practices and policies, National Cotton Council of America, Memphis, Tenn.....	59
Shuman, Charles B., president, American Farm Bureau Federation.....	67
Staley, Oren Lee, president, National Farmers Organization, Rea, Mo.....	131
Tollefson, Bert, Jr., president, American Corn Millers Federation and Export Institute.....	176
Turnbull, Don M., assistant secretary, National Egg Council, Kansas City, Mo.....	181
Williams, Edward Brown, counsel, National Association of Frozen Food Packers.....	164
Williams, Harold M., president, Institute of American Poultry Industries.....	188
Williams, Hon. John J., a U.S. Senator from the State of Delaware....	167
York, John C., general manager, Eastern Milk Producers Cooperative Association, Syracuse, N.Y.....	132
Miscellaneous documents:	
S. 3590, 90th Congress.....	2
Staff explanation of S. 3590.....	8
Transfer of class I bases under the Puget Sound milk order.....	19
Net budgetary expenditures, Commodity Credit Corporation, fiscal 1968.....	22
Termination of conservation reserve contracts.....	24
Feed grain diversion and payments.....	24
Consumer food programs.....	27
Proposed operation of the commodity reserve program.....	32
Estimated blend price and income for wheat in 1969.....	35
Agricultural trade balance of the United States.....	41
Realized net farm income 1958-60 and 1966-67 and purchasing power.....	43
Comparison of meat imports, cow prices, and cow slaughter.....	97
Wholesale boneless beef prices.....	113
Comparison of wheat and bread prices.....	162

AGRICULTURAL ACT OF 1968

MONDAY, JUNE 24, 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 (presiding), Holland, McGovern, Byrd of Virginia, Aiken, Young of North Dakota, and Miller.

The CHAIRMAN. The committee will please come to order.

We begin hearings today on S. 3590, the Agricultural Act of 1968.

This bill would extend the provisions of the Food and Agriculture Act of 1965 for 4 years, with amendments, except that the authority for class I milk base plans is made permanent and extensive amendments are proposed to the Agricultural Marketing Agreement Act of 1937, including provisions for collective bargaining.

Title I of the bill makes permanent the class I milk base plan without change, although I understand some changes will be recommended today.

Title II extends the current feed grain programs with minor amendments.

Title III extends the current one-price cotton program, including authority for transfer of allotments, with a number of amendments, none of which appears to be very controversial.

Title IV extends the current wheat program, with several amendments, one of which does appear to be controversial. That amendment would permit the cost of certification to processors to be increased above 75 cents by the amount by which the parity price increased above the parity price as of July 1, 1969.

Title V extends the National Wool Act without change.

Title VI extends the cropland adjustment program with two changes.

Title VII extends the provision requiring a rice diversion program whenever the national acreage allotment is less than that for 1965.

Title VIII contains miscellaneous provisions including authority to lease tobacco allotments; restricts the reduction in State or county projected yields from year to year to not more than 5 percent, and extends the current exemption of peanuts for boiling and marketing quotas.

Title IX makes a number of amendments in the marketing order law.

The principal amendments are—

(1) It would extend marketing order authority to any agricultural commodity or product thereof (except a canned or frozen product), and exempt any commodity or product from current exceptions and processor or other approval requirements, if the Secretary determines by referendum that a majority of the affected producers approve such extension;

(2) It would authorize orders for commodities other than milk providing for establishing by collective-bargaining minimum prices, terms, and conditions (including above-parity prices). Cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products are exempt from collective-bargaining provisions only.

(3) It would provide that where a milk-marketing order provides a "method for fixing" minimum prices, that method may be by collective bargaining;

(4) It would provide for regulation of commodities other than milk by "species, or other classification" as well as "grain, size, or quality."

In addition it would—

(5) provide for producer allotments;

(6) provide for producer advisory committees; and

(7) provide for assessments against producers in the case of orders providing for bargaining or producer allotments.

It is my hope that the testimony today will be sharply directed towards the provisions of S. 3590 so that the committee will have a clear direction as to the desires of our agricultural industry and can proceed expeditiously to mark up a bill in the very near future.

I wish to state, in addition to this, that at the hearings of this committee, held several weeks ago, that there appeared very little objection to the main portions of the bill. It will be recalled that Senator Mondale from Minnesota introduced a bill known as the farm bargaining bill. Title I of the bill was most obnoxious to practically all of the witnesses who appear before us. In drafting S. 3590 it was felt it was useless to include that provision. Therefore, we are only considering title II of the Mondale bill which adds commodities to the existing law and other purposes.

(S. 3590 and staff explanation thereof follow :)

[S. 3590, 90th Cong., second sess.]

A BILL To extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1968".

TITLE I—DAIRY

EXTENSION OF CLASS I—BASE PLAN AUTHORITY

SEC. 101. The class I dairymen's base plan is extended by striking out section 103 of the Food and Agriculture Act of 1965.

TITLE II—FEED GRAINS

EXTENSION OF CURRENT PROGRAM AUTHORITY

SEC. 201. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 through 1973 crops" in the following provisions of law:

- (1) Section 105(e) of the Agricultural Act of 1949, as amended.
- (2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

AUTHORITY FOR PAYMENTS IN CASH OR KIND

SEC. 202. Effective beginning with the 1969 crop, section 105(e) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled."

TITLE III—COTTON

EXTENSION OF AUTHORITY FOR ALLOTMENT TRANSFERS, EXPORT MARKET ACREAGE, AND DOMESTIC ALLOTMENT

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended—

- (1) By striking out "1936, 1967, 1968, and 1969" in section 344a(a) and inserting "1966 through 1973".
- (2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 through 1973 crops".
- (3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 through 1973 crop".

EXTENSION OF AUTHORITY FOR PRICE SUPPORT AND DIVERSION PAYMENTS, LEASE OF ACREAGE NOT DIVERTED, AND EXTENSION OF CCC RESALE PRICE PROVISION

SEC. 302. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

- (1) By amending paragraph (1) of section 103(d) by striking out "the 1966, 1967, 1968, and 1969 crops and substituting "the 1966 through 1973 crops".
- (2) By striking out the first sentence in paragraph (6) of section 103(d) and substituting the following: "Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344(m) (2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."
- (3) By striking out "July 31, 1970" in the next to last sentence of section 407 and substituting "July 31, 1974".

EXTENSION OF CURRENT DEFINITION OF COOPERATOR

SEC. 303. Section 402(b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 through 1973 crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 through 1973 crops".

EXPANSION OF ALLOTMENT TRANSFER AUTHORITY

SEC. 304. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: “(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)”.

(2) By striking out the last sentence in subsection (b).

EXPORT MARKET ACREAGE

SEC. 305. Section 346(e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof “For each subsequent crop—” and substituting “For the 1967 and 1968 crops—”.

(2) By inserting after the table in the third sentence thereof, the following: “For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres.”

(3) By striking out in the tenth sentence thereof “of all cotton produced on such farm for such year” and substituting “of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year”.

TITLE IV—WHEAT

EXTENSION OF CURRENT WHEAT PROGRAM

SEC. 401. The wheat program is extended—

(1) By striking out “the calendar years 1964 through 1969” in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting “1964 through 1973 calendar years”.

(2) By striking out “the calendar years 1965 through 1969” in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting “1965 through 1973 calendar years”.

(3) By striking out “the calendar years 1964 through 1969” in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting “1964 through 1973 calendar years”.

(4) By striking out “the calendar years 1966 through 1969” in section 332(d) of the Agricultural Adjustment Act of 1938, as amended, and substituting “1966 through 1973 calendar years”.

(5) By striking out “the calendar years 1964 through 1969” in section 339(b) of the Agricultural Adjustment Act of 1938, as amended, and substituting “1964 through 1973 calendar years”.

(6) By striking out “the calendar years 1966 through 1969” wherever they appear in section 502 of the Food and Agriculture Act of 1965, and substituting “1966 through 1973 calendar years”.

(7) By striking out “1966 through 1969 crops” in section 506 of the Food and Agriculture Act of 1965, and substituting “1966 through 1973 crops”.

PROJECTED FARM YIELD COMPUTATION

SEC. 402. Effective beginning with the 1969 crop, section 301(b)(13)(κ) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out “three calendar years” and substituting “five calendar years”.

WHEAT ALLOTMENT COMPUTATION

SEC. 403. Effective beginning with the 1969 crop, section 332(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out “owned by the Commodity Credit Corporation” and substituting “on hand in the United States”.

COST OF WHEAT MARKETING CERTIFICATES TO PROCESSORS

SEC. 404. The last sentence of section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended, effective beginning with the 1970 crop,

to read as follows: "Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1970 through 1973 wheat crops to persons engaged in the processing of food products at the lower of (1) the face value thereof or (2) \$0.75 per bushel plus the amount by which the parity price for wheat as of the beginning of the marketing year for such crop as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year exceeds the parity price as of July 1, 1969."

DATE FOR DETERMINING WHEAT SUPPORT PRICE

SEC. 405. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1) (a) after the words "100 per centum of the parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year;".

TITLE V—WOOL

EXTENSION OF WOOL ACT

SEC. 501. Section 703 of the National Wool Act of 1954, as amended, is extended by striking out "December 31, 1969" and substituting "December 31, 1973".

TITLE VI—CROPLAND ADJUSTMENT

EXTENSION OF CROPLAND ADJUSTMENT PROGRAM

SEC. 601. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and substituting "1965 through 1973 calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any of the fiscal years ending prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973".

ADVISORY COMMITTEE EXPENSES

SEC. 602. Section 602(p) of such Act is amended by striking out the last sentence thereof the words "or expenses" and inserting "other than transportation expenses and per diem as provided by section 5703(c) of title 5, United States Code".

TERMINATION OF AGREEMENTS

SEC. 603. Section 602 of such Act is amended by adding a new subsection (r) as follows: "(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

TITLE VII—RICE

EXTENSION OF CONTINGENT RICE ACREAGE DIVERSION PROGRAM

SEC. 701. Section 353(c) (7) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1966, 1967, 1968, or 1969" and substituting "1966 or any succeeding year up to and including 1973".

TITLE VIII—MISCELLANEOUS

EXTENSION OF TOBACCO ALLOTMENT LEASE AUTHORITY

SEC. 801. Section 316(a) of the Agricultural Adjustment Act of 1938, as amended, is amended (i) by striking out of the first sentence thereof "1962 through 1969", and inserting "1962 through 1973" and (ii) by striking out of the last sentence thereof "1964 through 1969" and inserting "1964 through 1973".

RESTRICTION ON REDUCTION OF STATE AND COUNTY PROJECTED YIELDS

SEC. 802. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

EXTENSION OF BOILED PEANUT EXEMPTION

SEC. 803. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows: "This amendment shall be effective for the 1957 through 1973 crops of peanuts."

TITLE IX—MARKETING ORDERS

ADDITIONAL COMMODITIES SUBJECT TO MARKETING ORDERS

SEC. 901. Section 8c(2) of the Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended by inserting after the third sentence ending with the words "Southwest production area," the following: "Notwithstanding any of the commodity, product, area, or approval exceptions or limitations in the foregoing sentences hereof, any agricultural commodity or product (except canned or frozen products) thereof, or any regional or market classification thereof, shall be eligible for an order, exempt from any special approval required by the preceding sentences hereof, if after referendum of the affected producers of such commodity the Secretary finds that a majority of such producers voting in such referendum favor making such commodity or product thereof, or the regional or market classification thereof specified in the referendum, eligible for an order: *Provided, however*, That such referendum shall not be required for any commodity or product for which an order otherwise is authorized under the preceding sentences of this subsection (2) and for which no special approval or area limitation is specified therein."

ENFORCEMENT OF COLLECTIVE BARGAINING AS A PURPOSE OF THE ACT

SEC. 902. Section 2(3) of such Act is amended by inserting "such minimum prices and other terms and conditions for the acquisition of commodities by handlers as are provided for in section 8c(6) (J)," immediately after "establish and maintain".

COLLECTIVE BARGAINING FOR MILK PRICES

SEC. 903. Section 8c(5) (A) of such Act is amended by inserting "by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers), or otherwise," after the phrase "method for fixing".

REGULATION OF SPECIES OR OTHER CLASSIFICATION

SEC. 904. Sections 8(c) (6) (A), (B), (C), (D), and (E) of such Act are amended by inserting ", species or other classification" after the words "grade, size, or quality" wherever the latter words appear.

COLLECTIVE BARGAINING FOR COMMODITIES OTHER THAN MILK

SEC. 905. Section 8c(6) of such Act is further amended by adding the following at the end thereof:

"(J) Except with respect to cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products, providing a method for establishing by collective bargaining in good faith between producers and handlers (including provision for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers), the minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may

be acquired by handlers from producers or associations of producers: *Provided*, That no such minimum price or prices or other terms and conditions shall become effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers which was produced in the production area subject to the order and unless thereafter approved by the Secretary of Agriculture: *Provided further*, That if the Secretary of Agriculture finds that the parity price of any such commodity, other than milk or its products, for which such minimum prices or other terms or conditions are to be established is not adequate in view of production costs, prices to consumers, and other economic conditions which affect market supply and demand for such commodity subject to such order (including any marketing limitation of the commodity otherwise provided by such order), the Secretary of Agriculture shall determine a price or prices for such commodity at such levels as he finds will insure a sufficient market supply of the commodity, reflect such factors, and be in the public interest, and such price or prices shall be used in lieu of the parity price for the purpose of section 2 of this title: *Provided further*, That the agency designated to administer provisions authorized under this subsection shall be a committee primarily composed of producers of the commodity: *And provided further*, That an order containing provisions authorized under this subsection shall also contain provisions authorized under section 8c(6) (K) or section 8c(7) (E), or both, if the Secretary of Agriculture finds that such combination of provisions is necessary to provide an equitable distribution of market opportunity and returns among producers.

“(K) With respect to orders providing for minimum prices on a classified use basis (i) providing for the payment to all producers or associations of producers of uniform minimum prices for the commodity or product marketed by them (within their allotments, if any), irrespective of the use or disposition thereof, subject, however, to adjustments specified by the order, including but not limited to adjustments for place of production or delivery, grade, condition, size, weight, quality, or maturity, or any other adjustments found to be appropriate to provide equity among producers, and (ii) providing a method for making adjustments in payments as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the commodity or product purchased or acquired by him at the classified use minimum prices fixed pursuant to such order.”

PRODUCER ALLOTMENTS

SEC. 906. Section 8c(7) of such Act is amended by adding the following at the end thereof:

“(E) Notwithstanding any other provisions of this title—

“(1) allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods on the basis of (i) the amount produced or marketed by such producer or produced on or marketed from the farm on which he is a producer in such prior period as the Secretary of Agriculture determines to be representative, subject to such adjustment for abnormal conditions and other factors affecting production or marketing as the Secretary may determine, or (ii) the current quantities available for marketing by such producer, or (iii) any combination of (i) and (ii), to the end that the total allotment during any specified period or periods shall be apportioned equitably among producers. Allotments hereunder may be in terms of quantities or production from given acres or other production units. If the Secretary determines that such action will facilitate the administration of a marketing order hereunder and will not substantially impair the effective operation thereof he may fix, or provide a method for fixing, a minimum allotment applicable to producers and producers whose production does not exceed such minimum shall not be subject to the regulatory provisions of the order except as prescribed therein;

“(2) any producer for whom an allotment is established or refused under the authority of this subsection may obtain a review of the lawfulness of his allotment as prescribed by the order of the Secretary establishing the allotment and rules and regulations thereunder, which shall constitute the exclusive procedure for review thereof and section 8c(15) (A) of this title shall not apply thereto. Under such order, rules or regulations any officers or employees of the Department or any committees or boards created or

designated by the Secretary of Agriculture may be vested with authority to perform any or all functions in connection with such review proceedings including ruling thereon. Committees or boards created or designated for this purpose shall be deemed agencies of the Secretary within the meaning of subsection 8c(7)(C) and section 10 of this title. The ruling upon such review shall be final if in accordance with law. The producer may obtain a judicial review of such ruling in accordance with the provisions of section 8c(15)(B) of this title;

"(3) when allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a(5) of this title."

PRODUCER ADVISORY COMMITTEES

SEC. 907. Section 8c of such Act is amended by adding at the end thereof a new paragraph (20) as follows:

"(20) PRODUCER ADVISORY COMMITTEES.—The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized. Such committee shall be composed of producers of the commodity or commodities for which the committee is established. Such committees may be called on by the Secretary of Agriculture to provide advice and counsel with respect to the initiation of proceedings for the promulgation of a marketing agreement or marketing order for such commodity or commodities and may also formulate specific proposals for purposes of a public hearing concerning such a proposed marketing agreement or marketing order. The establishment of such a committee shall, not, however, be deemed necessary to the initiation of any such proceeding to promulgate a marketing agreement or marketing order."

ASSESSMENTS AGAINST PRODUCERS

SEC. 908. Section 10(b)(2) of such Act is amended by adding at the end thereof a new subparagraph (iv) as follows:

"(iv) If the order contains provisions authorized by section 8(c)(6)(J) or section 8c(7)(E) it shall provide that the assessments payable by handlers under subsections (i) or (ii) shall initially be payable pro rata by the producers of the commodity to such handlers thereof, who shall be responsible for the collection thereof from producers and payment to the authority or agency established under such order."

NOT TO SUPERSEDE OTHER LAWS

SEC. 909. Nothing in this title shall supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, with respect to agricultural commodities and no action taken or provisions in an order issued under this title shall be inconsistent with the provisions of such other statutes or actions taken by the Secretary of Agriculture under such other statutes.

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY: STAFF EXPLANATION OF S. 3590 (AGRICULTURAL ACT OF 1968)

SHORT EXPLANATION

This bill would—

- (1) extend the authority for Class I milk base plans permanently;
- (2) extend the other provisions of the Food and Agriculture Act of 1965 for four years, with minor amendments;
- (3) amend the marketing order law in a number of respects, including provision for collective bargaining.

DEVELOPMENT OF BILL

The Committee held hearings on April 3, 4, 5, 8, 9, 10, and 24 on the Farm Program and Farm Bargaining. All witnesses who desired to be heard, including

the Department of Agriculture, were heard. All proposals were considered carefully and the proposed Agricultural Act of 1968 was developed from those which appeared to have general support and constitute substantial improvement of the program.

TITLE-BY-TITLE OUTLINE

Title I extends authority for Class I *milk* base plans without change.

Title II extends the current *feed grain* program; permits payments in cash, as well as kind, and provides for cancellation of payment in kind certificates held by Commodity Credit Corporation on September 30, 1968.

Title III extends the current cotton program (including authority for transfer of allotments), but amends it—

(1) to permit farms that participate in the diversion program but plant no cotton to divert up to 35 percent of their original allotments and lease the balance;

(2) to permit transfer of that part of the allotment apportioned to the farm from the national acreage reserve;

(3) to repeal the requirement for filing allotment transfers between June 1 and December 31;

(4) to give the Secretary discretion as to the amount of export market acreage within the 250,000 acre maximum (rather than have it fixed by statute in relation to carryover reduction); and

(5) to permit a producer having export market acreage to export other cotton in lieu of that grown on his farm.

Title IV extends the current *wheat* program with the following changes:

(1) To conform to the method of computing county projected yields, farm projected yields would be computed on a five-year (instead of three-year) base.

(2) The cost of certificates to processors could be increased above 75 cents by the amount by which the parity price increased over the parity price as of July 1, 1969.

(3) The support price announced as early as May 1 would not be subject to change because of difference between the actual July 1 parity price and that estimated by the Secretary.

Title V extends the National Wool Act of 1954 without change.

Title VI extends the *Cropland Adjustment Program* with changes—

(1) permitting payment of expenses to members of the Advisory Board on Wildlife; and

(2) permitting the Secretary unilaterally and after ample public notice to terminate future cropland adjustment contracts when such action is in the public interest.

Title VII extends the provision requiring a *rice* diversion program whenever the national acreage allotment is less than that for 1965.

Title VIII contains *miscellaneous* provisions—

(1) extending authority to lease tobacco allotments;

(2) restricting the reduction in State or county projected yields from year to year to not more than 5 percent; and

(3) extending the current exemption of peanuts for boiling from marketing quotas.

Title IX makes a number of *amendments of the marketing order law*. It is identical to title II of S. 2973, except for division into sections, insertion of section headings, and exception of cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products from collective bargaining provisions. It would—

(1) extend marketing order authority to any agricultural commodity or product thereof (except a canned or frozen product), and exempt any commodity or product from current exceptions and processor or other approval requirements, if the Secretary determines by referendum that a majority of the affected producers approve such extension;

(2) provide that where a milk marketing order provides a "method for fixing" minimum prices, that method will be by collective bargaining;

(3) provide for regulation of commodities other than milk by "species, or other classification" as well as "grade, size, or quality";

(4) authorize orders for commodities other than milk providing for establishing by collective bargaining minimum prices, terms and conditions (including above-parity prices);

- (5) provide for producer allotments ;
- (6) provide for producer advisory committees ; and
- (7) provide for assessments against producers in the case of orders providing for bargaining or producer allotments.

Now, Mr. Secretary, we are not going to charge you with being late, but we hope you are going to give us a good statement and right to the point.

Let us go off the record.

(Discussion was had outside the record.)

The CHAIRMAN. You may proceed, Mr. Secretary.

Senator YOUNG. I have noted that the Poor Marchers have been pestering you at the Department of Agriculture for a long while. This is entirely unjustified. I do not know of anyone in Washington who would like to give away more farm surpluses than you. And I join you in that. They have been attacking the wrong person.

Senator AIKEN. I think that is discrimination—how would they know how to pick out these people who have tried to do the most in helping the poor people of the country? They must discriminate.

Secretary FREEMAN. I have never been more confused in appearing before this committee than at this moment.

Senator AIKEN. We just wanted to get you started right.

Senator YOUNG. I was thinking of making a speech concerning this on the Senate floor defending you. I do not always agree with you, but I do on this.

I might say for the record, Mr. Chairman, that nine counties in North Dakota were listed as being on the verge of starvation. I called the welfare secretary in most of these counties, and they could not find a single person who was short of food. A doctor in the western part of my State, a very devout Christian, who works from early morning until late at night in the general practice of medicine, offered \$100 to any charity if they could find any one person in Golden Valley County, N. Dak., or Wibaux County, Mont., which is adjacent and is listed as a poverty county, who was short of either food or clothing. He has had no takers. I think this is true of all North Dakota, and I have told groups that have come here: "If you can find one person who is short of food, I wish that you would tell me and I will see that they get food."

Out there, people tell me that there are a few cases where the husband has been getting hold of the welfare check and buying liquor with it. In cases like this, the family does suffer, but they try and avoid this.

Secretary FREEMAN. Unfortunately, particularly in the Columbia Broadcasting System program—and this is in the record—why, there were repeatedly instances of misstatements of fact that Senator Young has referred to, and I think that this has been a great disservice to the Nation. I demanded of that station that I be allowed equal time to tell a factual story and to correct these misstated facts, and they refused to give me such time, and when they replayed the program it was without any effort to correct it. And it can only do harm. If you are not factual in telling the true state of affairs, the reaction is going to be negative, and the progress we have made in trying to build sensible feeding programs, to reach people who need them, can only be harmed by this irresponsibility.

The CHAIRMAN. In that connection, I am sure that a great deal of what is going on in Washington was brought about by the cheap sort

of advertising that is given to the people involved in radio and television. No doubt about that in my mind.

All right, you may proceed with the regular business.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE

Secretary FREEMAN. Thank you, Mr. Chairman and members of the committee. My statement today is short. I did appear before this committee earlier this year, and my statement then is a matter of record. I have tried to outline the development of our farm program and American agriculture and place the current legislation in the context of the historical sweep of the progress of the development of agriculture in this Nation. Now, I am pleased to report on the bill which has been the product of those areas; that is, that the chairman and the members of the committee held on S. 3590.

Mr. Chairman and members of the committee. I appreciate this opportunity to appear before you in support of S. 3590, this committee's bill to extend the Food and Agriculture Act of 1965. If I may say so, the committee has done its work expeditiously and well:

First, in drafting a 4-year bill, you have recognized the difficulties that farmers faced under the old year-to-year approach of some previous farm legislation. With today's high land costs, massive capital inputs, and increasing reliance on commercial exports of farm products, S. 3590 would give some long-term assurance to farmers of conditions under which they will have to operate in the years ahead. In an industry beset by great natural uncertainties—of weather, insects, and plant diseases—you have eliminated one of the manmade uncertainties that marred previous attempts to meet the farmers' problems.

Second, you have built wisely on the solid foundation of time-tested programs developed during the sixties, programs that have proven their worth in meeting many of agriculture's basic and continuing problems. At the same time, you have recognized that changing conditions call for changing response, and you have included new approaches to further strengthen and extend the basic legislative package.

This basic package, which your committee has had such a large part in developing over the past 7 years, represents a unique departure over the past. It recognizes that overproduction is a continuing problem—not a temporary phenomenon. It recognizes that conservation of natural resources is part and parcel of any successful commodity program—and it makes provision to enhance these resources. And, finally, it recognizes that neither Government alone nor individual farmers alone can meet all the problems forced upon us by a rapidly changing world, and so our programs are administered through a unique partnership of government, farmers, and their organizations.

So today we have a wide range of programs woven tightly into a coordinated farm and food policy aimed at underpinning and strengthening America's family agriculture.

These programs—commodity, export, foreign aid, domestic food aid, resource development—interlock to form a total structure that is

greater than the sum of its parts. They operate as a team. Each program has its own function, but all mesh to enhance the final result.

Agricultural exports provide a good example. Last year we exported products equivalent to the harvest of 71 million acres. A vitally important factor in these exports is our commodity programs that keep us competitive in commercial world trade and, through certificates and direct payments help make up the difference between world prices and parity to farmers.

Another part of our export program is food for freedom, which moves about 4 percent of our production to developing countries, helping them over the worst of their existing food shortages and aiding them to build their economies so that they can eventually become dollar customers for our farm products.

Nothing in this world is static. So we have a dynamic program which enables us to shift production to meet changing circumstances each year and, at the same time, maintain farm income. Right now, for example, we are expanding cotton and rice production while holding down wheat and feed grain production, all under the same basic legislation. In conjunction with other programs we are able to maintain balanced abundance while adjusting our resources to growing needs for conservation, outdoor recreation, wildlife, and natural beauty.

Another important tool is section 32. With section 32 funds we will buy \$173 million worth of food this year for distribution to children and needy people here at home—thus bolstering weak prices of over-abundant crops and improving the diets of our people. With the food stamp program we will help feed nearly 3 million of the poor in the next year.

All these programs working as a team are helping to move our agriculture forward on the highway of progress.

But, of course, they are neither perfect, nor perfectly operated. I realize, far better than most, that not all our objectives have been met. We must improve them. We must coordinate them more closely with the activities of individual farmers and farm organizations. But this can be done and it is being done. Since I testified at length before this committee 2 months ago, I shall not take much of your time today. But I believe it is noteworthy that under the Food and Agriculture Act of 1965 and predecessor legislation we have—

Eliminated the surpluses that clogged our warehouses during the fifties, and have prevented the buildup of new surpluses;

Fed nearly 6 million of the needy at home through the food stamp and direct distribution programs, and are now rapidly improving and extending these programs;

That farm income—while still not high enough, by any means—is substantially higher than in the pre-1960 period, and roughly 50 percent higher than it would be in the absence of our commodity programs;

Have enabled American farmers to rapidly expand their exports for dollars, tapping a global market that now takes the harvest of 1 American acre in each 4;

Are about to move quickly in response to rapidly changing world weather and market conditions, as evidenced by recent changes in the cotton, wheat, rice, and feed grain programs, to namely only a few.

Now, let me cite a few specific examples:

The feed grain part of the act of 1965 has, among its basic objectives, attaining supply-demand balance and enabling our grain to move into world markets. It is also designed to mitigate the sharp up-and-down cycles of livestock production summed up in the old truism, "cheap feed means cheap livestock."

How well have these objectives been met?

1. Our feed grain stocks are estimated to be well within the desired carryover of from 40 to 50 million tons.

2. The flexibility in the program enabled us to adjust the acres removed from feed grain production and placed in conserving use from 20 to 34 million acres as the situation warranted.

3. Feed grain exports are expected to be more than 23 million tons this marketing year—82 percent greater than in the 1960-61 year. Within that total, corn exports are up 114 percent.

4. Livestock producers have been relieved of the sharp ups and downs of previous years.

Hog production is a good example. The December-May pig crop is about the same as last year—down just 1 percent. Producers have indicated their intention to have about the same number of sows farrowing between June and November as in the same period last year—actually about 2 percent more.

For the entire year of 1968, pig production is estimated to be just slightly larger than in 1967 and only a little larger than the average for 1961 through 1966; this in contrast to the sharp ups and downs when there were surpluses of feed grains with resultant low prices. Under those circumstances, the grain producer tries to make more money out of grain by feeding more hogs, and farmers primarily in the hog business are tempted to take a flyer on cheap feed. Everybody loses.

One reason we were able to avoid this is the Government-private-sector partnership upon which I touched earlier. Throughout this year and last, the Department has been in close, continuous touch with both hog and cattle producing organizations, as well as the general farm organizations. We have reviewed with them all aspects of feed grain-hog-cattle prospects. These organizations have encouraged their members not to overproduce, and I believe it is evident that this encouragement has paid off.

Next, let's look at wheat. Last week, after long study and consultation with Members of Congress, farm organizations, our advisory committees and individual wheat and grain producers, we announced (1) a 13-percent reduction in the 1969 wheat allotment, together with (2) additional diversion payment at the maximum acreage, and at the maximum rate of payment authorized by law. Our goal is a total reduction in wheat acreage of around 18 percent. We are able to do this because of the flexibility provided in this landmark 1965 legislation. It is well that we had this built-in flexibility. World wheat supplies have fluctuated sharply in the last 2 or 3 years. The program has responded rapidly to these changes, allowing us to avoid the twin specters of worldwide glut or worldwide famine.

We now face larger world supplies and a buildup in total U.S. stocks, so that by next July we anticipate stocks to be somewhere between 600 and 700 million bushels. In response to these develop-

ments, last week's announcement should enable us to reduce stocks by some 100 million bushels in 1969.

Similarly, in cotton, the workability of the 1965 act has been thoroughly tested and has been found to be satisfactory. Our cotton stocks have dropped more rapidly than we anticipated because of 2 years of unprecedented bad weather. This year's cotton program is reacting to that fact. Acreage diversion has been reduced, incentives for quality production have been increased. Government stocks have been moved, export sales have been pushed, and, above all, cotton farm income has been protected and maintained through this difficult period, now entering its third successive crop failure. For many cotton farmers in the Southeast and Texas, the diversion and price support payments were literally a lifesaver when floods, drought, and early frost destroyed or greatly reduced their crops.

So in all, these voluntary adjustment programs, together with the longer term cropland adjustment program, have enabled American agriculture to maintain balance.

The CAP is a vital and necessary part of this total package. The agreements that remain in effect 5 to 10 years are beneficial to farmers and the public, and are necessary supplement to the annual adjustment programs. Older, part-time farmers are able to place their farms in conservation uses with assurance, allowing them to remain on the farm and enjoy the benefits of rural living.

And CAP helps meet the outdoor recreational needs of a growing U.S. population. Its public access features have opened up more than a million acres of privately owned farmland for public use in hunting, hiking, camping. At the same time, farmers' income is helped with a small per year additional payment. Greenspan has aided 137 communities to acquire eligible land and move it permanently from cropland to parks, playgrounds, picnic areas, and other outdoor recreation, desperately needed by many of our small communities.

The extension of this legislation along the lines embodied in this committee's bill, S. 3590, is urgently needed. Passage at this session of Congress will enable farmers, Government, Congress, and the citizens to plan ahead with the certainty that, at least for the next 4 years, there will be sound, workable basic farm legislation.

I also want to affirm my support for the package of amendments to the Agricultural Marketing Agreement Act of 1937 that are included in title IX, the farm bargaining portion of S. 3590. This would make available to farmers the same set of tools for improving their bargaining position as was included in title II of S. 2973, with certain exceptions.

In earlier testimony before this committee, on April 24, I stressed the need for new legislative authority to make farmer bargaining power an effective force through use of Government marketing orders to enforce marketwide compliance by farmers and buyers alike. That need still exists and I urge you to make these self-help devices available to producer groups.

The present bill would exclude a number of commodities covered by current farm programs from the bargaining provisions of title IX. It is true that producers of these commodities might not take advantage of bargaining programs at this time, even if available. However, we believe it would be advantageous to have bargaining available on

a standby basis for possible future use by producers of these basic commodities.

This self-help enabling legislation set forth in title IX is needed to supplement existing Government programs. The bargaining provisions authorized by S. 3590, combined with the basic commodity programs that are updated by this same bill, will give American agriculture a firm base for stabilizing prices, assuring adequate supplies of agricultural commodities, and maintaining adequate farm income.

Two months ago today, when last I had the privilege of appearing before this committee, I testified that—

Farmers find their destiny being shaped by forces over which they have little or no control. Both Government programs and private business initiative act upon farming with considerable power and organization. Farmers are increasingly frustrated at the lack of an opportunity collectively to represent themselves and their interests with a similar degree of organization and power. Farmers see group action, as representing special interests, growing in frequency and effectiveness. Farmers want the opportunity to represent their interests with disciplined group action.

I would reiterate this statement today. A device for farmers to act in unison to further their interests is much needed and long overdue. This committee wisely recognizes that fact and has acted to extend to farmers many of the rights granted other segments of our economy many years ago. Your proposal has the potential for answering many of the problems now besetting agriculture, for those groups who wish to take advantage of it. It has my wholehearted support.

Thank you, Mr. Chairman, and members of this committee.

I will say, Mr. Chairman, again, that I do not for the moment say that we have all the answers or that we have met and conquered all of the problems, but I would want to emphasize that it is my considered judgment that the programs we have are beginning to work with increasing effectiveness, that they are demonstrating the capacity to accomplish multiple purposes; that they have within them, I believe, the final solution to what people have on occasion said there was no answer, the so-called farm problem. I do believe that we have a little leadtime here now by which we will be able to demonstrate that we do have as close to a final answer as can be had through workable programs to meet multiple goals. And I would certainly hope that the bill as presently before this committee will be carried forward and passed by this committee and by the Senate.

Again, I thank you.

The CHAIRMAN. Well, Mr. Secretary, I may say that during the hearings we had 2 months ago I sensed very little opposition to the bill, except from two groups. The complaint was that the money received by the farmer was a little short, and then there were those who said that the cost of the program was higher than was anticipated.

Now, are you surprised at the cost of this program, as to what you thought it would cost when we announced this bill in 1965?

Secretary FREEMAN. The program has cost more than we projected or estimated, and more than it will cost in the long run, but we have been subject to some unusual circumstances, with sharp fluctuations in regard to war production, that I think are beyond the norm. It bounced up and down, and in a very odd fashion.

And as I said, we have very short crops in cotton. We have had long crops here, not only here but around the world, in wheat. These are two examples.

We have had a run of exceptionally good weather for the production of feed grains.

So, I would say that I think that our estimates were on the lean side, but in the long run I think that these estimates will prove to be sound and in the long run the program will not cost as much as it has in the last 2 years.

The CHAIRMAN. Is there any provision in this bill that would further increase the cost of this program?

Secretary FREEMAN. No.

The CHAIRMAN. What about the provision in wheat, which we find some objection to, wherein the cost of certificates to millers could be raised whenever the parity price increases above parity as of July 1, 1969?

Secretary FREEMAN. This, of course, would tend to cost less, because this would mean financing directly through the processor rather than by the Government.

The CHAIRMAN. If you raise the certificate price, that would not have any effect upon the sale of wheat abroad?

Secretary FREEMAN. No, because the wheat would be priced as it is now in the market, with a loan rate which would permit the market to fluctuate. We do not anticipate it would be below the loan, and if the program is operated effectively, why, certainly, the market price should not fall below that loan rate.

The CHAIRMAN. Well, do you figure that that provision in the bill would assist in prices to the farmers?

Secretary FREEMAN. Frankly, now, the provision for the increase for the certificate to move up is placed there to make the program cost less, as a way of financing other than by the Government itself.

The CHAIRMAN. But it would assist the farmer, though, in getting a little more money?

Secretary FREEMAN. No, I do not believe it would, because the certificate value is the difference between the loan rate and parity—100 percent of parity. If parity moved up—if it does, why, of course, the value of the certificate will move up.

That cost under the provision now pending would be added to the cost now paid by the processor. It would not make any difference in the actual payment to the farmer.

The CHAIRMAN. But insofar as that provision is concerned, there seems to be objection to it. It will not help the farmer and would not cause more sales abroad, what is the purpose of having it on the bill?

Secretary FREEMAN. Mr. Chairman, if that were deleted from the bill, I would have no strong objection.

The CHAIRMAN. Another problem of the bill that is very contentious and one that we have had a little difficulty with, is that dealing with the bargaining, giving the farmer the right to bargain. Now, the views of many have been tempered by the fact that we excluded certain commodities, such as wheat and corn and other feed grains and to make it applicable more or less to commodities such as eggs and maybe milk and things of that kind.

Have you anything further you would like to add to what you have said about that provision?

Secretary FREEMAN. No; I see no objection at this time to extending it with the deletion that the chairman has indicated.

Certainly, if it would tend to build stronger support for it, because, as I have testified, I do not see much likelihood in the immediate future of using the bargaining system for these basic commodities which are nationwide in their production.

The CHAIRMAN. Well, I wonder if you could at this time or maybe later submit for the record a concise statement as to the procedure that would have to be gone through in order to obtain, let us say, bargaining on eggs, or whatever prices you think might be amenable to this provision.

Secretary FREEMAN. I would be happy to do that now, or to put it in the record later.

The CHAIRMAN. You might give it now, if you have it.

Secretary FREEMAN. Very quickly, the procedures to be followed are the same procedures followed in marketing orders now, and that which we have been following for 30 years.

And it would merely be, first of all, that there would be a group of farmers, producers, who indicated that there was enough interest and that there is a likelihood of support to get the program working. Then, this is new, because it is extended to commodities in which a referendum would be held, and if 50 percent of the producers indicated that they were seriously interested, we would then go to holding hearings on a proposed order; and the producers in question, who had voted—and the group that had been participating—would, with whatever help they want from the Department—this is on their own volition—develop a marketing order. That marketing order, once developed, is the product of hearings, with review and wide discussion and public attention and public participation which would then be submitted to a referendum. It would require a two-thirds vote in the referendum before the marketing order would go into effect.

Now, the makeup of the marketing order would depend upon what the producers wished. It would involve a whole host of things. First, there are many conditions in connection with marketing by the way of supply, by the way of standards, by the way of diversion, by the way of marketing conditions, a whole host of things.

Also, if the producers wish, it could involve some methods of production adjustment which would not necessarily mean acreage allotments, or it might. It could mean diversion programs of many kinds. It could mean agreements in some instances not to harvest, or whatever it might be.

And so once having developed this marketing order, the producers then would have the authority to carry forward this kind of an approach which they had mutually developed and voted in by two-thirds, and they could then open negotiations with the processors or with the handlers and seek to develop contracts and agreements just like any other contractual relationship. And they would be able then to carry forward their part of such an agreement by virtue of the fact that they had a marketing order to which they then were collectively committed to carry forward; and, when such an agreement was reached, it would be enforceable just like any other kind of a contractual in the marketplace.

So, this is a good example of free enterprise in complete operation of negotiating and development of contractual agreements between two parties.

The CHAIRMAN. At that point, will you be a little bit more specific as to the parties?

Secretary FREEMAN. The parties would depend, of course, upon the commodity; it would depend upon the producers. There would have to be a two-third producer vote before they would have the power to do anything, and then they would open negotiations.

Senator MILLER. You mean two-thirds of the members of the producers?

Secretary FREEMAN. Yes. In these negotiations, they would sit down with the processors and there would have to be 50 percent of the processors who have reached such an agreement with them before the contract would go into effect, and at the contract terms.

The CHAIRMAN. And to what extent would others be in this; retailers, for example?

Secretary FREEMAN. You mean the eventual retailers.

The CHAIRMAN. Yes.

Secretary FREEMAN. Others beyond that level? I do not think they would participate in the process, unless it was some kind of integrated processor-handler distribution system.

The CHAIRMAN. Would you say that the bargaining then would be between the producers on the one side—

Secretary FREEMAN. And the processors and the handlers on the other side.

The CHAIRMAN. And the handlers on the other side?

Secretary FREEMAN. Yes.

The CHAIRMAN. That is your conception?

Secretary FREEMAN. Yes.

Senator AIKEN. Would they participate in the decision?

Secretary FREEMAN. They would be the bargaining people, the two parties bargaining together.

Senator AIKEN. They would not participate?

Secretary FREEMAN. In the developing of the marketing order, itself; no.

Senator AIKEN. The processors and the handlers would not?

Secretary FREEMAN. That is right. They would not.

The CHAIRMAN. Now, you say that this might lead to a curtailment of production of a commodity by acreage controls. How would that be handled, compared with the method we now have with which we are all familiar?

Secretary FREEMAN. The law as it now stands would permit the development of a marketing order, which order could incorporate such things as allotments, as we use them now, based upon historic production—the very same factors that are being used in our basic farm commodities.

The CHAIRMAN. Can you envision under the provisions of this act that, under this title, there will be any acreage curtailment?

Secretary FREEMAN. I would doubt it. I would add that they could get together and decide how many acres. I think that this would be much more likely to be based on deciding in terms of amount and would say that certain amounts could be and would be sold; and they

would then kind of divide up the amounts and this would be up to the producers in relation to it. This is in most perishable commodities, and they would in all likelihood produce somewhat more and would hold back some, and then would have diversion programs for other uses, and they would have an amount on an acreage basis in terms of this supply management.

The CHAIRMAN. If that is curtailment in volume of amount rather than in acres, would that be done by producers on a voluntary basis?

Secretary FREEMAN. To the extent that the producers themselves have voted in a marketing order which provided there could be some limitation as to production, when two-thirds voted for it, why, then, whatever they voted for would be binding on the other one-third.

The CHAIRMAN. And that would be on a relative basis—the acreage that is taken out would be on a voluntary basis. There would be no pay for it?

Secretary FREEMAN. No; that is correct; yes.

The CHAIRMAN. That is all.

Senator Holland?

Senator HOLLAND. Senator Aiken has some questions.

Senator AIKEN. How many milk marketing orders are in the United States; 73?

Secretary FREEMAN. I think that is correct.

Senator AIKEN. There has been some consolidation, so the actual area has been expanded?

Secretary FREEMAN. Yes; others have been coming down.

Senator AIKEN. How many of those orders have adopted the base rating plan?

Secretary FREEMAN. I think just one.

Senator AIKEN. How does that work?

Secretary FREEMAN. Well, as far as I know I think it has worked quite satisfactorily in that area. They have indicated every hope to continue it.

Senator AIKEN. Do you know whether any production rights have been sold in that area?

Secretary FREEMAN. I do not know.

Senator AIKEN. I do not know, either. Could you find out for the record?

Secretary FREEMAN. Yes, sir; I will.

(The information follows:)

TRANSFER OF CLASS I BASES UNDER PUGET SOUND MILK ORDER

Under the Puget Sound Milk order. Class I bases may be transferred under private control from the producer with a base to another baseholder or any other producer. Timely notice to the market administrator is required, and the transfer must be 100 pounds or more daily base. A producer who receives base by transfer may not transfer base within the following 12 months.

During the first six months after the plan became effective, 691 transfers of base by 477 producers, totaling 408,709 pounds of Class I base, were recorded with the market administrator. This represents 20.7 percent of the total pounds of Class I base issued originally to 2129 producers.

Unofficial information indicates that base transfers have been made at rates of from \$7.00 to \$13.00 per pound of daily base. These rates are not reported to the market administrator.

Senator AIKEN. I was just wondering as to the fact that one group out of 73 had availed itself of the base-rating plan, whether that was sufficient justification for making the plan permanent?

Secretary FREEMAN. Well, they operate under it, and they wish to continue it. We have had inquiries from a number of other areas as to its feasibility and application to that area. I do not think that any harm is done; possibly, some good.

Senator AIKEN. I do not know either. That is why I asked the question. I realize there are some areas where small producers are perhaps rapidly going out of production who feel that the right to sell their production rights would add to their return at least, but what that would do on the whole, I do not know.

I notice that you made particular reference to pig production. What year was it that hogs dropped 15 cents a pound?

Secretary FREEMAN. 15 cents a pound?

Senator AIKEN. It was about 15 years ago?

Secretary FREEMAN. Yes.

Secretary AIKEN. Was it not?

Secretary FREEMAN. Yes.

Senator AIKEN. It was predicted that it would go to 10 cents, but it went to 15 cents and stopped, I believe. The price has been rather constant since then, more or less?

Secretary FREEMAN. Up and down.

Senator AIKEN. It has been up and down, from 18 cents to 24 cents—it went up to 24 cents at one time.

Secretary FREEMAN. Since we have succeeded in stabilizing the corn supply, it is clearly on the record as having had an important impact on hog prices.

Senator AIKEN. And there is no direct control over hog production as such?

Secretary FREEMAN. No.

Senator AIKEN. It is not a matter of law; it is a matter of pretty good judgment.

Secretary FREEMAN. Of good judgment, and I think we have developed with hogs and with cattle a working relationship increasingly with the producers themselves, and they are getting a little more sophisticated, recognizing that runaway production can only hurt them, so that in both instances, why, I believe we are beginning to get some results.

Senator AIKEN. Has the Extension Service played any part in that voluntary control of hog production?

Secretary FREEMAN. Yes, there has been an educational program carried forward very conscientiously by the Extension Service, in seeking to reach the hog producers and cattle producers. For example, in urging them not to market overweight animals. This is one of the problems in either cattle or hogs. It is not efficient to do so. They lose out of pocket, and, of course, it floods the market with heavy-weight animals and depresses the price.

Senator AIKEN. Do you not agree that the Extension Service has had its day and might be reduced or abolished?

Secretary FREEMAN. Certainly, I do not. I think that the Extensive Service has taken on many more functions and is rapidly adjusting to changing circumstances.

Senator AIKEN. It is becoming urban and suburban to a greater degree every year?

Secretary FREEMAN. In some places.

Senator AIKEN. You quoted from your statement last spring as follows:

"Farmers want the opportunity to represent their interests with disciplined group action."

What do you mean by "disciplined action"?

Secretary FREEMAN. I mean that they are able, once two-thirds of them have voted for marketing orders, that the other one-third will will have to go along with the two-thirds majority.

Senator AIKEN. From what I hear, the Department of Agriculture could use a little discipline around its doors and exits, and so forth. Perhaps, you might start planning that discipline right at home.

Secretary FREEMAN. I have heard that the people that you are speaking of are not much influenced by my discipline or any other.

Senator AIKEN. They have two-thirds majority, do they not?

Senator HOLLAND. Besides, they are not producers?

[Laughter.]

Senator AIKEN. I give up.

The CHAIRMAN. Just one more question about wheat certificates.

To what extent would the amendment affect the cost of wheat to the millers in the country?

Secretary FREEMAN. Well, as the bill now stands, costs to millers would increase. It would increase as parity increases. If parity were to go up 4 cents per bushel, the cost of certificates to millers would rise from 75 cents a bushel to 79 cents. A 4-cent increase would increase the millers cost, instead of the Government, by about \$20 million.

The CHAIRMAN. I simply desire to bring out for the record any facts so that the opposition to that provision can be met.

Senator Holland?

Senator HOLLAND. Mr. Secretary, I note a statement filed by the Department showing the costs of the Commodity Credit Corporation program from 1961 to 1968, the last being an estimate and also including an estimate for 1969, is dated as of February 14, and I wonder if it is possible at this time to bring the estimate for 1968 forward so that we may know more accurately what the costs of the program have been in fiscal 1968?

Secretary FREEMAN. Surely.

Senator HOLLAND. Will you see that that is done for the record?

Secretary FREEMAN. Yes, I certainly will.

(The information follows:)

COMMODITY CREDIT CORPORATION

NET BUDGETARY EXPENDITURES—SUMMARY OF ALL COMMODITIES AND PROGRAMS, FISCAL YEAR 1968

[In millions of dollars]

	Preliminary through May	Revised, fiscal year 1968
Price-support and related programs:		
Acreage diversion, price support, and export payments.....	1,716.0	1,770.8
Loans and purchases, less loan repayments.....	1,550.1	1,534.1
Wheat certificates issued, less certificates sold.....	361.5	347.3
Storage and other outlays ¹	768.4	698.2
Total.....	4,396.0	4,350.4
Receipts:		
Sales proceeds.....	1,060.8	1,158.4
Other receipts.....	75.0	15.9
Total.....	1,135.8	1,274.3
Total net expenditures.....	3,260.2	3,076.1
Public Law 480.....	985.0	1,211.4
Bartered materials.....	24.1	25.3
Other.....	106.7	106.9
Total net expenditures.....	4,377.0	4,419.7

¹ Includes change in loans held by banks.

Senator HOLLAND. You think we could bring it up, let us say, to the end of May, meaning just one more month to go on the program?

Secretary FREEMAN. Yes.

Senator HOLLAND. If you can, I wish that you would do so.

Secretary FREEMAN. Yes.

Senator HOLLAND. Certainly, I note here in your statement several things of great interest, at least to me. One is a statement on page 3, "Another important tool is section 32. With section 32 funds we will buy \$173 million worth of food this year for distribution to children and needy people here at home."

Is that the estimated amount that you would spend on buying up surpluses, or does it take some other meaning?

Secretary FREEMAN. It means the items that are being purchased are in surplus supply, yes.

Senator HOLLAND. This sum of \$173 million is what you estimate would be spent to take surplus commodities during the year 1969?

Secretary FREEMAN. That is correct.

Senator HOLLAND. You do not have any estimate for expenditures of section 32 funds other than the purchase of surplus?

Secretary FREEMAN. No, sir.

Senator HOLLAND. Thank you.

I notice that with reference to surpluses, you state—and I think with much truth—that the working of the program has eliminated surpluses that clogged the warehouses during the fifties. Certainly, many of the surpluses have been eliminated. However, I want to discuss the impact of your newly recommended bill to have reserves of grains built up. How does that apply against your statement there that up to now, you have prevented the building up of new surpluses?

Would these reserves be new surpluses?

Secretary FREEMAN. No, they would not. They would be reserves that would be a part of the carryover that we feel is necessary in order

to have adequate reserves ourselves and by the added flexibility that would go with that, that we could move in to purchase at times when there was overproduction and lower prices and then have them to sell when the prices moved up to higher levels. It adds up to what I think is an additional and important tool in adjusting to changes that take place in the market.

Senator HOLLAND. Have you not the authority now to purchase when the price is too low?

Secretary FREEMAN. No, no. All we can do now, as far as the Commodity Credit Corporation is concerned, is to make a loan, or, when producers are unable to meet the storage requirements for a loan, to buy limited quantities.

Senator HOLLAND. I note that the various bills that have been offered that I am familiar with purport to build up reserves and that most of them provide that all purchases of the reserves shall remain in the possession of the producers and not be in the possession of the Government. Do you have any comment to make on that?

Secretary FREEMAN. No; this is a provision of resale where the Government is in it. The only difference is that the grain in question is held by the producer, and, as such, the producer, under the terms as provided in that bill, can move it into the market or out, but it really is not any different from the Government owning it and having it in commercial storage. In this case, in most instances, either it would be stored on the farm or—otherwise—and both, I might say, would be within what we consider the necessary carryover in order to have adequate reserves.

Senator HOLLAND. The next thing I want to question you about is your point 2 near the bottom of page 4 of your statement in which you refer to the retirement of acreage and you say "The flexibility in the program enabled us to adjust the acres removed from feed grain production and placed in conserving use from 20 to 34 million acres as the situation warranted."

Secretary FREEMAN. That is right.

Senator HOLLAND. What is the amount in reserve now?

Secretary FREEMAN. The target is 34 million for this year, we have decided on.

Senator HOLLAND. That brings up the question as to whether or not you are counting upon funds—authorizations for the cropland adjustment program for this year to enable you to attain that target. You remember you were asked about that. The other body has refused to grant that request for funds.

Secretary FREEMAN. That is correct.

Senator HOLLAND. And the Senate bill does grant a portion of your request—perhaps all of it. And just what importance in your whole picture does this display as to your ability to retire additional acreage under the CAP program?

Secretary FREEMAN. The net is 34 million acres estimated, and it is estimated that there will be 2 million acres that will move out under the cropland adjustment program. In addition, the cropland adjustment program is important in the overall, because we know that there will be a need for substantial acreage to be diverted for some time to come.

The figures used here are 20 to 34, at least for the next 4 years, which this bill directs is the thing to do. In my considered judgment, there is no doubt but what we will have to keep out of production at least to the 20 million acre figure; certainly, I cannot foresee anything less than that, unless there were completely altered circumstances worldwide. Therefore, if some of that acreage, that 20 million, can move under the cropland adjustment program, it can do so more efficiently at a lower cost to the Government and at a higher utility to the landowner. And as such it is just another example of the multiple uses efficiently achieved with a minimum of public expenditure.

Senator HOLLAND. As I recall it, the acreage under the conservation reserve program is rapidly passing out of the reserve picture; is that correct?

Secretary FREEMAN. That is correct.

Senator HOLLAND. Is it not true that the last large block of acreage passes out this year?

Secretary FREEMAN. I think that is right.

Senator HOLLAND. Will you supply for the record the figures in that program?

Secretary FREEMAN. Yes, sir.

(The information follows:)

There will be 5.8 million acres released from Conservation Reserve contracts at the end of calendar year 1968. This will leave 3.4 million acres under contracts, practically all of which will be released at the end of calendar year 1969.

Senator HOLLAND. Do you mean by your statement here that you now have 20 million acres out of production and that you may have to bring that to 34 million in this year ahead?

Secretary FREEMAN. I mean by that that we did have in 1967 20 million acres that were not in production. Now, with a larger crop last year than was expected, here and around the world, and with the forecast of a very good crop this year, we seek to move from last year's 20 million to this year's 34 million.

Senator HOLLAND. How much do you figure it will cost the Government to retire that added acreage, raising the total of retirement from 20 million to 34 million? Can you supply that figure for the record?

Secretary FREEMAN. If I may supply that for the record, I would appreciate doing that.

(The information follows:)

FEED GRAINS—COMPARISON OF DIVERTED ACREAGE AND LAND DIVERSION PAYMENTS UNDER 1967 AND 1968 PROGRAMS¹

Item	Unit	1967 program	1968 program
Acreage diverted.....	Million acres.....	20.3	² 34.3
Land diversion payments.....	Million dollars.....	325	695
Price-support payments.....	do.....	542	633
Total payments.....	do.....	867	1,328
Average payment per acre diverted.....	Dollars per acre.....	42.71	³ 41.50

¹ Corn and grain sorghum only.

² Intended diversion based on enrollment; actual diversion after dropout expected to total about 32,000,000 acres.

³ Based on estimated actual diversion of about 32,000,000 acres.

Senator HOLLAND. One more question with reference to the amount of marketing orders that you testified about in some detail in your earlier testimony.

As I understand it, what you are working toward now so far as a change in the law is concerned, is to make these marketing orders marketwide rather than to affect just certain parts of a group of commodity producers. For instance, the marketing order in Florida for citrus covers only the citrus producers there, and the State marketing agreement on oranges in California covers only the citrus producers there, and the same situation is true in certain vegetables. There are marketing agreements and orders that cover only regional or area-wide areas, rather than marketwide areas. Are you now hoping to make these agreements marketwide? Is that your objective?

Secretary FREEMAN. I want to check that. I am not sure that I can answer that question as sharply and precisely as I would like to.

Let me say that I think that under marketing orders now for the commodities mentioned that they could cover a wider area under the current law. I do not think that is a change. This is a practical question: When producers want to come together, as to how big an area should be as a practical area to be encompassed in order to be effective? I do not think that is a matter of law. I think that is a matter of practical determination.

What this new additional amendment would do is: (a) It would have many more commodities that today could not have a marketing order. They are not provided by law. (b) It would provide a wider area of potential action within the marketing order than would be possible under the marketing orders that now exist.

Senator HOLLAND. The reason I accented this marketwide prospect is that I noticed that you used these words in your statement—let me read the statement: “I stressed the need for new legislative authority to make farmer bargaining power an effective force through use of Government marketing orders to enforce marketwide compliance by farmers and buyers alike.”

It would seem to me that you were accentuating your objective as one that intends to operate marketwide.

Secretary FREEMAN. I think that any marketing order has to operate marketwide to be successful. It certainly has to encompass a large enough area to include enough producers in order to be effective. I did not mean by the use of those words any wider area than could be followed under the current law which I think is as wide an area as needs to be and that producers will come together under it, and as a practical matter it is a workable size. So, I do not think that this would make a change.

Senator HOLLAND. It would permit nationwide marketing orders, the present law would permit it, there is no doubt, but every effort the Department has made toward that end has been defeated. First was the citrus marketing order which was to be nationwide. Various efforts have been made for nationwide marketing orders and orders for potatoes, and so far as I know, there has been no effort to accomplish nationwide, marketwide controls which have been approved. It is difficult enough to get the producers to support the local ones. It was not able to get the producer support that was necessary for the other.

You are trying now to accomplish for the first time nationwide—meaning marketwide—support because the products of these various regions that are marketed nationwide—anything could be marketwide—it would have to be nationwide—there is no such thing as providing for that, because Florida citrus fruit comes in competition with Texas, Arizona, and California. There is no such thing as having Irish potatoes produced in one part of the Nation not coming in competition with Irish potatoes produced elsewhere, and yet there has been very strong producer opposition to attempting a nationwide control for obvious reasons. The period of production is different, the quality of the product in many cases is different, and there are various reasons for that position.

What I am trying to find out is: Are you really trying to get nationwide control of commodities that are produced in our Nation?

Secretary FREEMAN. I could say flatly, "No." By no means, as the Senator has properly pointed out, there is no difference under this proposed amendment and under the Agricultural Marketing Act as it now stands.

I do not know what efforts have been made in connection with nationwide programs, except there have been none made while I have been Secretary of Agriculture and the marketing orders, I am informed, have not been published by the Department as such. These are self-help programs that producers wish to develop themselves, and they come to the Department for technical help and assistance which we give, but we are not in the business of selling these programs.

None of them, as Senator Holland points out, will go forward unless the producers want them and the producers vote for them. And the question of how wide an area is a very practical pragmatic judgment in terms of the producers, as to what is an effective and how large an area is necessary to make it workable.

Senator HOLLAND. Then, may I close by asking this question as to your use of the word "marketwide" on line 2, page 8. Does that indicate at all that in your judgment you are seeking to change the present judicial practice by which marketing agreements and orders have never been made nationwide, but if the market is nationwide instead they are confined to areas producing a commodity which is not only alike but generally identical, practically so, to what is produced in other parts of the area?

There is no attempt to go to a nationwide marketing order in any commodity?

Secretary FREEMAN. No.

Senator HOLLAND. Thank you.

The CHAIRMAN. Senator Young?

Senator YOUNG. Mr. Secretary, I note in the bill—and this is only a tentative draft—but flaxseed is included as a possible crop to come under bargaining arrangement and marketing orders or agreements, and that soybeans are let out.

Could you effectively have a marketing order agreement for one oil crop, such as flaxseed and not soybeans where both of them are widely used as a base for making paints and for livestock feed and other uses?

Secretary FREEMAN. I do not know. Your question indicates there would be very grave problems where you have interchangeable com-

modities. Why, obviously, you are going to run into those problems when you try and strengthen your producer base.

Senator YOUNG. Mr. Secretary, I do not know if you have any figures with you, but would you provide for the record, data on the amount of money that the Department of Agriculture has spent for the school lunch, food stamp, school milk programs and so on?

Secretary FREEMAN. Yes.

Senator YOUNG. I understand that it is in excess of \$700 million.

Also would you provide an estimate as to the amount of money that you will have available for the same purposes for fiscal year 1969?

Secretary FREEMAN. Yes, sir, I will be happy to do that.

(The information follows:)

CONSUMER FOOD PROGRAMS

	Fiscal year 1968 estimate	Fiscal year 1969 budget
Special milk.....	\$104,000,000	\$104,000,000
School lunch.....	222,202,000	248,768,000
Food stamp.....	184,945,000	245,000,000
Sec. 32.....	176,052,000	179,767,000
Total.....	687,199,000	777,535,000

Senator YOUNG. With respect to the change in the wheat certificate payment, I understand that this would only be effective if you increased the price support level for wheat.

Secretary FREEMAN. No, the provision to which I think you direct attention is as to the processor's share in funding the certificate. That amount would vary with parity, because parity has been going up, as you know, since a year ago. As such, that would mean an increase in the certificate value and that increase, additional cost, would, under the bill as it is now pending, be assessed, so to speak, to the millers and the processors.

Senator YOUNG. Under the present law, the processor pays 75 cents a bushel or one-half the difference between the price support and parity?

Secretary FREEMAN. Yes.

Senator YOUNG. Is it one-half or 75 cents?

Secretary FREEMAN. Mr. Jaenke reminds me that it is the difference between the loan rate and \$2 which is currently 75 cents.

Senator YOUNG. I see. If parity went up 5 cents a bushel in the next 2 years, and that would be about as much as you could expect, the amount of additional money that the processors and consumers would be paying would be very little?

Secretary FREEMAN. It would be very little, yes.

Senator YOUNG. With respect to the wheat acreage, I notice at the bottom of page 5 and the top of page 6, you make reference to diversion payments under the wheat program for next year.

Secretary FREEMAN. Yes, sir.

Senator YOUNG. I understand there have been no diversion payments for wheat in this crop year?

Secretary FREEMAN. None, this crop year.

Senator YOUNG. Would these be the same as for corn—I mean, diversion acreage payments.

Secretary FREEMAN. We are planning to have, as we have in feed grains, the mandatory amount that would come in, and there would be no payments for that. There would then be an additional amount that would come in where there would be diversion payments which is exactly as we have under the freed grain program.

Senator YOUNG. Would the producer reduce his acreage more than the required amount in that case?

Secretary FREEMAN. Yes.

Senator YOUNG. Was that available to wheat producers in the present crop year?

Secretary FREEMAN. No, because—

Senator YOUNG. I did not think so.

Secretary FREEMAN. There was very little cutback in production and very little we thought that was needed; and, therefore, this provision was not used. We did cut back diversion on the corn program when we were seeking to increase the production, so rather than to move it down—

Senator YOUNG. Mr. Secretary, I like your statement in which you approve of the 4-year extension. That is my objective, too. I would rather go higher on the blended price supports on wheat. Maybe I am in the minority.

Thank you.

The CHAIRMAN. Mr. Secretary, further with respect to the questions you have been asked by Senator Holland about this bargaining provision, as I understand it, you exercise no power except that which may result from a producer stating that 50 percent of the producers want the program?

Secretary FREEMAN. That is correct.

The CHAIRMAN. And then you have two-thirds vote of the producers?

Secretary FREEMAN. That is right.

The CHAIRMAN. You have no power at all other than that?

Secretary FREEMAN. No power at all, except to approve their agreement with handlers.

The CHAIRMAN. Are there any further questions?

Senator HOLLAND. Mr. Chairman, it is true that that permission has to be given by two-thirds vote of the producers, and more than 50 percent of the processors, but after the orders become effective—the orders first have to be approved by them, and they emanate from the Secretary of Agriculture thereafter.

The CHAIRMAN. But there must be an accord on it.

Senator HOLLAND. What he thinks is in accord with the agreement. They must be in accord with that, as he thinks. But as in the case of our citrus marketing agreement in Florida, which has been very successful and has been in longer than any of the marketing agreements, you find that various secretaries have frequently differed with the judgment of the control committees and have either declined to grant them along certain lines and have insisted if it be granted along that line that it be modified and have expressed that recommendations be modified. After all, the authority under the order of the legislation is in the Secretary of Agriculture. That is correct, is it not?

Secretary FREEMAN. Technically, it is correct; but there are some instances, of course, that Senator Holland relates, but I do not think that in the 8 years I have been Secretary of Agriculture there has been more than once or twice that a controversy has really risen that would take judgment as between the management committee and the Department.

These programs that are administered by the management committee, when they come to me, usually, it is when there is a battle between the producers themselves as to what the order means. And a minority group is protesting a majority group decision. There is a struggle within the group as to what can be done under that order. Otherwise, well, the Department plays, really, a service role; we provide technical services. The people administer the program itself.

The Senator is right in the last analysis that the Secretary is held responsible, but I think that is a practical matter, and, historically, it has to be to a point where there would be serious abuse. It just did not make any sense at all if someone got off on cloud 9, why, then, the Secretary could act. It is true that the order is issued, legally issued, as an order of the Secretary of Agriculture, but as a practical matter, it is really a producer program.

The CHAIRMAN. That is what I wanted to emphasize.

Senator McGovern?

Senator MCGOVERN. In terms of the practical workings of the program, do you have any feeling as to which commodities are most likely to lend themselves to the kind of collective bargaining authority that is in this bill?

Secretary FREEMAN. I would say the one, perhaps, that is most interested at the moment to move on it, the one that we have had a lot of discussion on would be eggs. Broilers is another. The turkey people have an interest in this. But those are the ones. This is a problem within the industry. The egg people have problems.

You have a situation where you can turn production on and off like a water faucet in some industries.

Senator MCGOVERN. I have been mildly disappointed with the number of farmers who do not seem to include the certificate payment as a part of their income in their thinking. They talk about wheat being \$1.40 or \$1.45, and they have to be reminded that they are getting a rather substantial payment in the form of the certificate. Have you encountered that?

Secretary FREEMAN. I have had the same experience. There is this tendency to feel that the certificate payment is not related to the price and they tuck it away. They look at the price and say that the prices are lower than they have ever been. This is a very real problem. The farmers do not realize that the real price is not \$1.40 but that the real price includes the 47-cent certificate, which is a total of \$1.87 for every bushel. We have to hammer away at it. That has been one of the reasons that I have not been very enthusiastic about advance payments. I think we would be better off if we would have the payments as close as you can to the time when he sells, so that he will realize that. Many farmers are misled into thinking that we do not have a program.

And, so, in the politics of it, why, there is a natural inclination to ignore that in some places, as to these programs. It is a very difficult educational program.

Senator MCGOVERN. What is the blend price on wheat, the average?

Secretary FREEMAN. If I were asked what the average wheat price would be, I would say probably \$1.40 a bushel, and the certificate payment would be 47 cents a bushel. That would mean for the current year that there would be a blend price of \$1.87 for wheat.

Senator MCGOVERN. On all that is produced?

Secretary FREEMAN. All that is produced.

Senator MCGOVERN. I realize that there are certain problems here that may make it impossible, or make it unlikely, for you to support this, but would there be any reasons other than fiscal why it would not be a good idea to have a small export certificate on wheat—would that complicate our international position, laying aside our fiscal problems here?

Secretary FREEMAN. The fiscal problem, the cost problem, and related political problems are a problem. Under this program, as you are well aware, wheat and other grains, too, move in the market at a market price which is based on supply and demand and the usual market practices, and we are thereby able to remain competitive. We use some export subsidies in certain areas where it is necessary, but it has been relatively nominal compared to the hundreds of millions of dollars spent in the old program. The export certificate would be an income function directed to the farmer, and, primarily a cost proposition.

Senator HOLLAND. The certificate on export wheat would not be in accord with the arrangement which we have just confirmed, amounting to an international treaty for the sale of wheat, would it?

Secretary FREEMAN. I do not think that in this instance it would be. You see, this would be a domestic export payment to the producers as such, and I do not think that would conflict with the international wheat arrangement. It would be purely a domestic matter for us to resolve.

Senator MCGOVERN. Just one other question: Did I understand you to say that the Department feels that the strategic or commodity reserve legislation in some form would materially improve the workings of the major parts of the program?

Secretary FREEMAN. I think that the strategic reserve bill would be a very important tool in this whole package that we are learning how to operate efficiently, to get the end results, and by being able to buy at certain times and to sell at other times, we could have an effect on the marketing of the product and its price that would be quite helpful.

Senator MCGOVERN. That authority is not in the omnibus bill?

Secretary FREEMAN. No.

Senator MCGOVERN. That would require—

Secretary FREEMAN. That would require separate legislation.

Senator MCGOVERN. Thank you very much.

The CHAIRMAN. Senator Miller?

Senator MILLER. What would be the size, Mr. Secretary, in your program, on wheat, let us say, of carryover?

Secretary FREEMAN. The same as we have now, roughly 400 million to 600 million. When we get up to 600 million, we would start cut-

ting back the production; if we get below 400 million we would try to encourage more production.

Senator MILLER. I notice that the Department has estimated around 545 million bushels up to the period July 1.

Secretary FREEMAN. I think, no, that is low. The current best estimate is about 180 million bushels more than that. I beg your pardon. That was at the end of the current crop year, July 1, 1968, which is on target. What I am talking about would be at the end of the next crop year, as to what our estimate would be, in regard to that period, July 1, 1969, which would run about 150 million bushels more, and over that level we would consider we would be moving into an unusually unnecessary heavy carryover.

Senator MILLER. My point would be that, if, as of July 1 this year, 545 million were the target, and a year from now it is 645 million, we are in range right now without any reserve bill.

Secretary FREEMAN. That is correct, but we are also in a period where we have prices lower than we wish they were. With a reserve bill and with the ability to buy and carry these stocks, we would be able to affect the market price without any cost, because once we got started we would not be buying and selling. Also it would have a good healthy effect, because we do have a supply that I identified as being in Government hands.

I am surprised to find that a number of our big markets abroad, particularly the Japanese, are quite sensitive to this business of adequate supply. Understandably so, because they are dependent upon outside—world—supply of food. And when we did get kind of tied back in 1966 and went below that 400 million figure, and when we are quite currently tight on cotton, this results in some uncertainty, and, therefore, for dual purposes, to have a clearly marked, identified supplier which assures our foreign customers, to have this ability to move in and out and to effect the price specifically in the market, to that extent it will help the producers. I think that this is a very practical and sensible piece of legislation.

Senator MILLER. Of course, the point is aggravated by the unusual requirements for food, especially in India. Our production does not indicate anything like that.

Secretary FREEMAN. That is correct.

Senator MILLER. My point is as to the urgency for this reserve bill which does not seem to be anywhere what it might have been a couple of years ago, especially taking into consideration the programs for India, Pakistan, and some of the other countries and also that we are going to have an estimated 645 million bushel reserve next year.

Secretary FREEMAN. What you are saying is a concern about a short supply under this legislation—if that is it, I would agree. We are now in this cycle, in this period, where a worldwide emergency supply is not on the lean side—we are in strong supply. Therefore, this would be the time when we could move in, and, using this power to purchase, strengthen those prices, and then if we move into the other low cycle that we were in several years ago, why, then, we would move that out and sell it, and we keep this in a flexible situation with a flexible tool that helps.

Senator MILLER. Could you provide for the record a little analysis of how that would work out?

The fact that it is there, even though it may be in Government—some of it—it would seem to me it would have a pretty important bearing on the market. I am not sure how much of a material impact on prices it would have in the long run, over a period of years, to have some of these Government purchases, to put some of this in Government hands, to have it transferred from private stocks on the farm into the Government insulated reserve stocks. If you give us an analysis on that, I would appreciate it.

Secretary FREEMAN. I will be happy to do that.

(The information follows:)

Stocks would be accumulated into the Government portion of the reserve during periods such as this past and the present year—when total output of grain exceeds total utilization, and when the overall level of reserve stocks are below desirable levels. Proposed strategic reserve legislation calls for part of these reserve stocks to be held by farmers and part to be held by government. If the portion of the reserve held in government hands is below that stated in the legislative goals (as was the case last fall and is today), the strategic reserve legislation would authorize the government to purchase limited amounts of grain in the open market at above-loan-level prices to place in the insulated reserve.

At present, if the weather is favorable and farmers harvest an unusually large crop, the only way the government can add these extra supplies to its stocks is to allow the market price to fall below the loan level—in other words, the market price now must be depressed to or below the loan level in order for the government to rebuild its reserves even in the limited amounts prescribed by the proposed strategic reserve legislation.

Had this purchase authority been available to the Department last summer and fall, Department purchases could have added as much as 7 cents per bushel to the market prices of wheat, corn and grain sorghums to the prices that actually prevailed.

Secretary FREEMAN. As long as it is locked up in clearly measurable terms under which it could be sold, I do not think that it would have any effect on farm prices. Obviously, when you purchase up to the limit, and your prices were lower than that, you are not going anywhere with it; but when you have these swings, why, then, you can use it for useful purpose on both ends, in my judgment.

Senator MILLER. If you could give us some analysis on that, it would be helpful.

Secretary FREEMAN. Yes.

Senator MILLER. I was frankly a little surprised—maybe I should not have been; but I understood that this bill was going to be drafted maybe on the basis of a 1-year extension of the current program. Now, I find we have it for 4 years.

The CHAIRMAN. Where did you get that impression?

Senator MILLER. From comments.

The CHAIRMAN. That might have been in the House, but I do not think that we ever intended to make it a 1-year extension here. I never heard anybody express such a thought.

Senator MILLER. Be that as it may, rigidly or wrongly, I felt very much like the chairman did at the original time that we were going into this, that since it is a year and a half before the present program will expire, that there was no great urgency in taking any action before early next year. Then, I did run into the problem—and I think that Senator Young and others have indicated that problem—that in the case of the wheat farmers they need this time for planning and it would be helpful if they knew if there was going to be a continuation of

the act. So, I can understand that a continuation of 1 year such as what the House passed might be helpful; but do you say that there is any urgency, Mr. Secretary, for more than a 1-year extension of this?

Secretary FREEMAN. Yes, I think that there is an urgency. I think that we—as I tried to say in the prepared statement—are developing the machinery and the cooperative relationship and the confidence to operate these programs effective and to get the results we all want, we need it. We now need it. If we were to back off and say “No, let us wait; let us not have any leadtime; let us go back to year-by-year legislation,” I think that would be a setback. This is no time, I think, to become such, to back off from what has been done and what is showing real promise, to go back again to uncertainties that would permeate the whole field of agriculture if this is extended on a very short-range basis or not extended at all.

Senator MILLER. I would agree with much of what you say. But I do not think it is quite responsive to my question. I agree that when we have farm programs, it is a good idea to have them over a rather long period of time—3, 4, or 5 years—but here we are with a program that still has a year and a half before its expiration, and we do not have full data for the year 1968, and the Secretary himself has expressed he is for improvement in what we have. My own Iowa State University—and I know you have a high regard for it—is currently engaged in an in-depth research and computerization of alternative-type programs, and they are not going to have this job done until maybe the end of the summer. And my position on this is that when we do legislate another 4- or 5-year program, I would like to have the benefit of that study. I can understand discussion to take care of a problem that is still a few years in the future, but why the urgency of a 4-year program at this time escapes me. I am interested, just like you are, in improving what we have, because I think that it does need to be improved. But I would like to have the benefit of the intense research capabilities of a school like Iowa State University which takes in other agricultural universities in these studies.

Secretary FREEMAN. As you say, nothing is perfect and we want to learn as we go along and improve, but in this instance, of course, that can always be done. Congress can always ask, and then it can be changed. I do not think that contradicts the fact that we can have some firm direction over a limited period of time. A 1-year extension in this instance, I think, would represent in the minds of producers of agricultural products generally a very serious reservation as to a continuation of the programs we have developed. I think that will adversely affect agriculture and the producers and I think that the programs that have been developed and are being carried forward have shown very real progress and that this is no time to drop them—this is the time to carry them forward to fruition.

Senator MILLER. That concern expresses the clear intention of the chairman of this committee and others of this committee that we would legislate on the program early next year.

The CHAIRMAN. I wish to say this, Senator Miller, that I was of the impression at the time on this, that we could hold hearings and then prepare a bill based on those hearings.

Now, that was my opinion up to a couple of weeks or 3 weeks ago, but many committee members—my good friend from South Dakota

and others—asked me to let them present it to the committee now. I think that Senator Young stated it at that time.

Senator YOUNG. I am for a 40-year extension instead of 4 years.

The CHAIRMAN. The point is that I don't think that I have the reputation of sitting on anybody's bill, and I want to do what the majority of this committee desires to do. I do not want to be arbitrary about it. So, some time ago we submitted the question to the committee, and there were only two or three, I think, that maintained the views that they had expressed.

Senator MILLER. The chairman is absolutely right. I think that was the opinion of the majority of the committee. My point is that there is no disagreement on the part of any of the committee or from any source that I know of, about a follow-on farm program that would be enacted, at the latest, early next year; and any suggestion that there may not be a follow-on farm program would only be for the purpose of making a press release, all contrary to the policy expressed by this committee and the sentiment, I think, of everybody on this committee.

You said that the blended price would apply to all wheat produced?

Secretary FREEMAN. Yes.

Senator MILLER. It is estimated that there will be 1.3 billion bushels production for 1969?

Secretary FREEMAN. That is correct.

Senator MILLER. And the \$1.87 would apply to every single one of those bushels?

Secretary FREEMAN. For those who participated in the program.

Senator YOUNG. That is not the blended price support. You have reference to the cash price plus certificates received this year. It is not the blended price support.

Secretary FREEMAN. First of all, those farmers who did not see fit to participate in the program get no certificate payments.

Senator MILLER. That was my understanding. So that, when you said, "all produced"—

Secretary FREEMAN. I meant on all wheat produced by those who participated in the program.

Senator MILLER. That would be produced by those entitled to the payment?

Secretary FREEMAN. Those who are entitled to it.

Senator MILLER. Yes, sir.

Secretary FREEMAN. What is the percentage there?

It is 90 percent of the acreage in the program, so that 90 percent of 1.5 billion bushels would be about 1.35 billion bushels probably.

Senator MILLER. And the acreage production is roughly the same, so that you just take 90 or 95 percent of that?

Secretary FREEMAN. Yes; 1.5 billion, the total production.

Senator MILLER. As I understood it, your target is 1.3 billion bushels for 1969?

Secretary FREEMAN. That is correct.

Senator MILLER. And you would take 90 or 95 percent of that and that would give us the total of the \$1.87 wheat production; is that right?

Senator YOUNG. You are talking about two different things—if you will yield?

The Secretary, a while ago, in answer to a question he was asked regarding the blended cash price received this year said it was \$1.87—the cash price of \$1.40 plus the wheat certificate payment. But you are now talking about blended price support rather than the blended cash price which might be expected. There is quite a difference between the blended price support and the blended cash price.

If I may say one thing further, this year the Secretary said the blended price received by the producers was \$1.40 plus the wheat certificate, which made it about \$1.87?

Secretary FREEMAN. Right.

Senator YOUNG. It would be hard to figure what that would be next year, because you do not know what the cash price will be next year. All you can talk about right now is what the blended price support would be.

I think that figures out to about \$1.80 per bushel. It would be the price support plus the wheat certificate payment.

Secretary FREEMAN. The loan rate.

Senator YOUNG. The loan rate; yes.

Secretary FREEMAN. But there would be no reason to believe—Let me back up and put it this way: Given the program and the cutback in production of about 100 million bushels, the price ought to be stronger, not weaker, than \$1.40; so, the blend price ought to be as good or hopefully better for the coming crop year than for the past year. We hope it will be more than \$2 a bushel.

Senator MILLER. I understand that. I understand further it is estimated that the target of 18 percent reduction in wheat reduction would be such; is that correct?

Secretary FREEMAN. That is correct.

Senator MILLER. What will this do with the over-all wheat farmers' income; do you have any estimate on that?

Secretary FREEMAN. I think we have it. I do not have it with me right now.

Senator MILLER. Will you supply that for the record?

Secretary FREEMAN. It would depend upon other factors, but we think that the total figures will be better.

Senator MILLER. In other words, you think that even with the 18-percent reduction in wheat acreage in 1968—

Secretary FREEMAN. It will be better.

Senator MILLER (continuing). The overall net income for the wheat farmer will be better than in 1968?

Secretary FREEMAN. Yes.

Senator MILLER. Will you provide some figures on that?

Secretary FREEMAN. All right. We will do that.

(The information follows:)

The 1969 blend price for wheat (crop value plus value of certificates) should be about 20 cents a bushel above the \$1.83 per bushel estimated for 1968.

Total wheat income for 1969, including diversion payments and after adjustment for cost savings (seed, fertilizer and other production costs) for planing about 10 million fewer acres, would be about the same or slightly higher than the total annual wheat income in 1966, 1967 and 1968 of \$2.8 billion.

Senator MILLER. Now, on page 13 of this bill, if I can refer to that, under "collective bargaining for commodities other than milk," et cetera, the first thing that we encountered, apparently, are the types of

crops that will not be covered by this collective bargaining commodity arrangement—cotton, wheat, soybeans, et cetera. Those are the exceptions from this marketing order approach; is that correct?

Secretary FREEMAN. Yes.

Senator MILLER. I noticed that livestock is not included. Why could that not be included?

Secretary FREEMAN. You mean not excepted?

Senator MILLER. Not excepted; yes. Why could it not be just the same as cotton and wheat?

Secretary FREEMAN. The only reason is that under the commodities down here, generally, they are those for which there is a farm program, called "the basic commodities," and as such, we felt that it would not be likely that bargaining power would be applied in those nationwide for the time being. There was no reason for including livestock. Of course, again, there would not be any program unless the livestock and hog people wished one.

Senator MILLER. You have no objection to including livestock in the excepted categories?

Secretary FREEMAN. Well, I think I would hesitate to want to see the list of commodities expanded further, really, beyond those for which we have basic commodity programs. I do not see any reason for it.

Senator MILLER. For having livestock?

Secretary FREEMAN. I do not see any reason for excluding livestock. Why should we discriminate against livestock?

Why should not livestock people be permitted to do this?

Senator MILLER. We are discriminating, if you want to use the word as such, against cotton and wheat and grain sorghum, and the like.

The CHAIRMAN. We have programs for those commodities.

Senator MCGOVERN. Those are the commodities now in the program.

Senator MILLER. That is right, but as I understood the rationale of the marketing order approach, we were seeking those types of crops and commodities which were not of a national character but were subject to the regional approach, such as you were discussing with Senator Holland, and I believe that livestock was frequently mentioned during our earlier go-round of these hearings, and I do not recall any intention to have livestock producers organized along this line any more than there was an intention to have wheat and corn. That is the reason I raise the question: Why should not livestock be excepted?

Secretary FREEMAN. Well, I do not feel terrible strongly about it, because I do not think that there is any likelihood in the immediate future that the cattle people are interested in trying to use this kind of authority, this kind of new tool.

Senator MILLER. I do not think so, either.

Secretary FREEMAN. I think that they would express themselves to that effect, and if they had it is not something that I would wish to shed any blood in any controversy, to try to make available to farmers some more tools.

If these farmers and producers do not want it, why so be it. Those who do, ought not to be deprived. The hog people have not spoken out on this as strongly. I think there has been some serious consideration, that the hog people might want to move into this direction.

Senator MILLER. I just felt that the consensus indicated that we were going to drop this for the non-regional-type crops—that is for the national-type crops—and livestock certainly falls in that category.

Secretary FREEMAN. I want to back off. I do not accept that as categorization, necessarily. As Senator Holland has said—who is an expert, as he has well stated it—it does not preclude national marketing orders, that is, the present act. It is a matter of practicality. As a practical matter, it has not proven feasible to have national marketing orders. If, under current commodities that have such orders, circumstances change and it is feasible and producers want to have it, why, they may. I do not think that it was contemplated that we were going to restrict the discretion that producers currently have in the law that has been on the books for 30 years in the process of adding any kind of authority.

Senator MILLER. No, it was national. But the thought was definitely expressed here on several occasions that the types of crops that would be covered by this extension of the marketing order approach would be the regional type and not the national.

Secretary FREEMAN. As a practical matter, that is the way it has worked out and it is likely to work out again.

Senator MILLER. That is why we have cotton and wheat and others listed in here with the excepted group, and I cannot understand why livestock is not in there. And by "livestock", I am talking about your red meat animals. I am not talking about poultry and turkeys. That is in maybe a different category.

You have indicated that you do not care to shed any blood on whether it is in or out.

Secretary FREEMAN. That is right.

Senator MILLER. A little further down in that section there is a proviso, "That no such minimum price or prices or other terms and conditions shall become effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers." By "handlers", do we mean processors?

Secretary FREEMAN. I think that processors would be included within that term.

Senator MILLER. Would it include commission firms and brokers? I think that it is important to get information on this. I think that when this legislation was initially discussed, we were talking about those who put the product into an end item, such as the potato canner or the tomato canner or the fruit processor, and we were not talking about commission firms and brokers, for example, although they are frequently referred to as handlers, as you know.

Secretary FREEMAN. I think you have answered your own question rather well. It is a very logical answer, that it would include those who are primarily the processors, those who handle and ship and prepare the commodity for marketing rather than those who are involved in the retailing and the distribution side of it. I think that Senator Holland made that point earlier today as well.

Senator MILLER. Would this include the cooperatives who are processors?

Secretary FREEMAN. Yes.

Senator MILLER. And the cooperative members who are producers would also be involved in the referendum, that is, amounting to 50 percent—I mean, two-thirds—of the producers?

Secretary FREEMAN. Yes.

Senator MILLER. On page 15, we have section 906 relating to the producer allotments. Nowhere in that section do I find the categories of products which occur in section 905. Is that an oversight, or is it intended that the excepted categories in section 905 also will be excepted in section 906?

Secretary FREEMAN. It is my understanding that they would be. However, I did not draft this bill and, therefore, would prefer to have our general counsel check this carefully.

[The general counsel advises that the categories of products in question are not excepted from the provision of section 906.]

Senator MILLER. You have no objection if it is necessary to have the excepted categories carried on to section 906?

Secretary FREEMAN. Not at all, if the committee determines that the producers of these commodities would neither have interest in or be benefited by having this authority available.

Senator MILLER. All right, on page 18 of the bill, Mr. Secretary, starting at the bottom of page 17, you have a provision for producer advisory committees which provides:

The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized.

Would it be the purpose of the Secretary, if this is enacted, to establish such an advisory committee of representative groups of producers—and by “representative” I mean possibly even those who are against as well as for potential authorization?

Secretary FREEMAN. Yes.

Senator MILLER. Would it perhaps be exclusively made up of those from a particular region rather than national? Suppose there is a particular region interested in a particular authorization of a marketing order relating to a certain type of orange. Would it be the purpose of the Secretary to set up such an advisory committee of producers in that particular region, in that particular area, rather than to bring in producers of those oranges in some other area?

Secretary FREEMAN. I think that the whole thrust is to provide that the machinery here would help the producers who were seeking to explore the feasibility of a marketing order for their commodity.

Senator MILLER. In a particular area?

Secretary FREEMAN. In the area that it is practical to operate in.

Senator MILLER. That is right.

Secretary FREEMAN. In the area that it is practical to operate in.

Senator MILLER. I can see where there would be two kinds of necessary committees. One would be the national citrus producers in Texas, California, and Florida, and I can also see, which I would hope would be your purpose, one confined to the area of primary interest.

Secretary FREEMAN. This is what this is directed to: It is directed to a group who advises work with it on a marketing order for a commodity in an area in which it is practical, one might think, to develop.

The CHAIRMAN. You will remember that when you discussed exclusion of cotton, corn, and other feed grains it was related to the

fact that they were grown all over the country and it may not be practical, and we put this in so that it could be carried on a more or less regional basis. That was my conception of it.

Senator MILLER. Yes, sir; but I wanted to make sure that the producer advisory committee that the Secretary could appoint here would be confined to that area, rather than a national type of thing.

The CHAIRMAN. It would be, because it would be the producers of the area that would apply for the release.

Senator MILLER. The proposed legislative language does not make that clear. I think that the Secretary has made it clear.

In connection with this representative group, Mr. Secretary, I presume that you would also appoint members of the associations? For example, if we had a regional honey proposal for representatives of a certain honey association in that area, they would certainly be given membership on that producer advisory committee, would they not?

Secretary FREEMAN. I would seek to appoint representatives as experts on the committee that would be useful to the producers who are interested in exploring the possibility of a marketing order, such as I could possibly get together.

Senator MILLER. I had a question come up recently. Your statement on page 7, at the top, relates to it. It has been touched on briefly, but I do not think it has been answered to my satisfaction. How about the CAP participators whose contracts are expiring this year; are those going to be renewed? Is it your intention to renew them?

Secretary FREEMAN. I do not think that there are any CAP contracts expiring this year. That is a very good program.

Senator HOLLAND. The conservation reserves program; how about that?

Secretary FREEMAN. The conservation reserve is running out.

Senator MILLER. What are you going to do about those contracts that are expiring where the participants want them renewed?

Secretary FREEMAN. Where they have a base, why, they can come in under the feed grain program or the wheat program and if the conservation adjustment program is funded, as the Senators have indicated they would support fundings, we would hope then that we would go in and extend again for the period ahead.

Senator MILLER. This is a question that I had from a couple of individuals who do not know whether they are going to start growing corn or whether they are going to keep their cornland fallow under the program. They do not know whether the contracts will be renewed.

Do you have a budget or a funding problem?

Secretary FREEMAN. We do. The House did not appropriate funds for the signup under the conservation program.

Senator YOUNG. Will you yield for a minute?

Senator MILLER. Yes.

Senator YOUNG. The conservation reserve law expired. You could not extend it under the conservation program.

Secretary FREEMAN. That is right. We could not do that under the conservation program. That law has expired.

Senator HOLLAND. Before the Appropriations Committee, if I understand the testimony on this matter, the fact is that the conservation reserve program was expiring, which brought about the greatest need,

and the Department has expressed to us its desire to have available some potentiality to bring some of those lands under the CAP for this forthcoming calendar year and for the 4 years to come, and they pointed out, it is my recollection, that there would otherwise be 5.8 million acres available to come back into production in 1969.

That is right, is it not, Mr. Jaenke?

Mr. EDWIN A. JAEENKE (U.S. Department of Agriculture). Yes, sir.

Senator HOLLAND. Much of that is available for the production of crops that have programs in effect, and they very much wanted to have the right to make obligations under a new CAP program for this coming calendar year. The Senate committee was very strongly in favor of that position to have it renewed, but the House committee and the House action had struck out this program.

Would you still need the amount of money requested, or is it lessened or greater since your earlier testimony with reference to the needed authority for 1969 CAP funds?

Secretary FREEMAN. I think that we need the amounts that were recommended to the committee.

Senator HOLLAND. In the beginning?

Secretary FREEMAN. Yes, sir.

Senator HOLLAND. And without that, do you feel that there is a real risk of some of the 5,800,000 acres which will go out in December of this year, at the end of December, to come back into active production?

Secretary FREEMAN. Yes, that is right.

Senator MILLER. I would like to reinforce that by saying that these two people who contacted me have several friends who are in the program and they are all planning to start producing, but they prefer to continue in the conservation reserve program.

Senator HOLLAND. I think that the record should also show what I understand to be the fact, that the CAP program was decidedly less expensive than the old conservation program per year per acre. Am I correct on that, Mr. Secretary?

Secretary FREEMAN. That is right.

Senator MILLER. Just two additional points, Mr. Secretary: One is your statement that the feed grain experts estimate that they expect to have more than 22 million tons this marketing year. My analysis indicates that for 1967, for the first time in about 4 years, our favorable balance of agricultural exports over agricultural imports fell below \$2 billion, which is quite a slippage. As I recall it, about 4 years ago, the favorable balance was nearly \$4 billion, and this would be quite a slippage, say, from that of 4 years ago. I know that you are doing all you can to improve these exports, but this is cause for alarm to me and to others as well. I wonder if you would furnish for the record a picture of the agricultural export situation, say, starting with the year 1963 and running through the year 1967—the agricultural imports during that same period of time, showing the slippage in the balance and what action, if any, you are proposing to take—what legislation, if any, do you think might be helpful in reversing that trend?

I might also ask one further thing, and that is to have included the portion of agricultural exports which are commercial and those which are Public Law 480. Would you be good enough to do that for us?

Secretary FREEMAN. I will be happy to do so. I might say that we

are running into a real tough competitive situation, because of very favorable crop years in Western Europe and in Russia and around the world, but we have maintained our agricultural exports surprisingly well in the light of that. A good bit of the change in the relative favorable balance-of-trade position relates to our own imports. We are also of high domestic prosperity. We have a lot of consuming purchasing power, and there has been an increase in imports, mostly those things that are not competitive. In connection with the favorable balance, it has two sides. We will be happy to submit the figures.

Senator McGOVERN. What did you ask for?

Senator MILLER. I asked the Secretary to furnish for the record a picture from 1963 to 1967 showing our agriculture exports, broken down by commercial and Public Law 480 or food-for-peace categories, and then the figures for agriculture imports for the same period of time and then the net amount of favorable balance which would show a definite decline along with his ideas of what administratively he can do to reverse the trend which has been downward on the favorable balance and what legislation, if any, would be helpful.

Senator McGOVERN. Would you mind modifying that to get the figures from 1960 on through?

Senator MILLER. I will be glad to do so.

(The information follows:)

The agricultural trade balance of the United States has been highly favorable during the past five years ending in 1967. In that year it equaled \$1,929 million—23 percent larger than in 1963. Further, the agricultural trade balance for the two most recent years of 1966 and 1967 averaging \$2,160 million was 13 percent larger than the 1963-64 average.

A major factor in the improvement of the U.S. agricultural trade balance was the significant growth of U.S. agricultural exports, principally commercial sales for dollars. The latter development reflected substantial progress in U.S. market development efforts during this period. The growth in U.S. agricultural exports outpaced gains in agricultural imports thereby contributing to the gain in the favorable trade balance.

U.S. AGRICULTURAL EXPORTS, AGRICULTURAL IMPORTS, AND TRADE BALANCE, 1963-67

[In millions of dollars]

Calendar year	Agricultural exports			Agricultural import	Agricultural trade balance ¹
	Total	Commercial	Government program		
1963	5,584	4,026	1,558	4,011	1,573
1964	6,348	4,618	1,730	4,082	2,266
1965	6,229	4,693	1,536	4,087	2,142
1966	6,881	5,317	1,564	4,491	2,390
1967	6,383	4,846	1,537	4,454	1,929

¹ Total agricultural exports minus total agricultural imports.

Source: Compiled from Bureau of Census and U.S. Department of Agriculture data.

Agriculture's Contribution to the U.S. Balance of Payments

Agriculture's contribution to the U.S. balance of payments since 1961, when this Administration took office, has been rising fairly sharply. Our commercial dollar earnings have grown from \$3,756 million in 1961 to \$5,443 million in 1967, an increase of 46 percent. During the same period agricultural imports have grown from \$3,756 million to \$4,455 million, an increase of only 19 percent.

By 1967 agriculture's contribution to the U.S. balance of payments had grown to \$988 million. We have every reason to believe that the upward trend of past years will continue.

Specifically, what are we doing to maintain and expand agriculture's positive contribution to the U.S. balance of payments?

Trade Liberalization

We are continuing and intensifying our efforts to improve access for American farm products to foreign markets. An important illustration of these efforts was the Kennedy Round which was concluded about this time last year. In these negotiations American agriculture received concessions on more than \$860 million worth of such important export dollar earners as variety meats, tallow, tobacco, fruits and vegetables, and soybeans. Most countries including our major dollar markets—EEC, UK, EFTA, and Japan—will begin implementing these concessions on July 1, of this year, cutting duties by 2/5 of the amount of the full Kennedy Round reduction. This should improve opportunities for expanded exports.

We are pressing hard both bilaterally and multilaterally for the removal of foreign non-tariff barriers. This includes consultations with the European Community on developments in the Common Agricultural Policy—particularly the variable levy system—as they effect present and future agricultural trade. It includes discussions with a number of other countries including Japan and Switzerland regarding removal of various types of trade restrictions.

As a result of these efforts Switzerland recently removed a long-standing prohibition on imports of poultry parts.

Multilaterally we are participating in GATT consultations on urgent trade problems—such as restricted access to poultry markets and market disruption resulting from the heavy use of export subsidies by certain countries—and in long-run studies in the GATT Agricultural Committee to lay the framework for meaningful negotiation of agricultural trade problems.

Market Development and Promotion

Today the Department of Agriculture is doing a market promotion job in some 70 countries, working in close cooperation with U.S. and foreign trade groups. American goods have been shown in over 200 trade fair and trade center shows. The largest of these was staged in Tokyo early in April, where in addition to many booths sponsored by States and trade groups, 135 commercial firms, a super-market, and 8 cooperating Japanese stores sold American food products to the Japanese public. On the spot sales alone totaled over \$2 million.

Other exhibits are planned this year for Madrid, Belfast, Cremona, Stockholm, Munich, Beirut, Paris, London, Tokyo, Bangkok, and Seoul—our first in South Korea.

A new market development tool we have been using effectively in recent months is the trade mission. This type of team, fully representative of our production and marketing system is helping us get a closeup appraisal of a particular market and also is helping us contact the foreign government and private trade officials who call the trade shots with respect to the products we are trying to sell. Trade missions in recent months have promoted U.S. wheat, feed grains, soybeans, soybean oil, and cotton. The areas covered have been Europe, the Mediterranean and Middle East, the Far East, and Latin America.

Export Subsidies

We are concerned about the way subsidized products are taking away traditional foreign markets of our farmers. The European Community uses subsidies, or is contemplating their use, for just about every product the area exports—grains, flour, dairy products, meats, poultry, lard, and others. But the Community isn't alone. Denmark, for example, subsidizes exports of poultry and dairy products. Australia subsidizes shipments of canned fruit.

We are taking a stand on this matter. We continue to believe in the GATT principle that subsidies should not be used to obtain more than a fair share of the world market.

Holding these views, we patiently and repeatedly sought under the GATT a solution to the problem of subsidies on poultry. Since these discussions have not been fruitful, the Department of Agriculture is resuming its subsidies on poultry exports to Switzerland. This action is a first step in a new drive to regain a fair share of the world market for U.S. poultry.

East-West Trade

We are continuing to review our policies toward East-West trade. Our trade in agricultural products with Eastern Europe and the Soviet Union is small at the moment. But consumer income and demand in these countries continue to rise. The potential is there. We have sent a special trade mission there to explore this potential.

Legislation

The legislation which would be most useful to this Administration in expanding export opportunities is the legislation now being considered—the extension of the Food and Agriculture Act of 1965. One of the beneficial features of this legislation is that it is designed to keep U.S. farm products competitive in world markets, which is the most efficient and direct way to stimulate exports.

AGRICULTURE'S CONTRIBUTION TO THE U.S. BALANCE OF PAYMENTS, 1960-67

[In millions of U.S. dollars]

Item	1960	1961	1962	1963	1964	1965	1966	1967
Commercial agricultural exports.....	3,459	3,569	3,614	4,046	4,720	4,881	5,475	5,115
Plus realized returns and savings on noncommercial agricultural exports.....	161	187	180	163	214	199	169	328
Total.....	3,620	3,756	3,794	4,209	4,934	5,080	5,644	5,443
Less agricultural imports.....	3,894	3,756	3,898	4,044	4,090	4,087	4,491	4,455
Agricultural net contribution to U.S. balance of payments.....	-274		-104	165	844	993	1,153	988
U.S. balance of payments (deficits).....	-3,901	-2,370	-2,203	-2,671	-2,800	-1,335	-1,357	-3,575

Source: U.S. agriculture and the balance of payments, 1960-67; ERS Foreign 224, Apr. 1, 1968, ERS, USDA.

Senator AIKEN. In speaking of exports and imports, has the Tariff Commission set any date for the hearing on the subject of imported dairy products which was directed by the President? I think that he used the word "immediate."

Secretary FREEMAN. I do not know whether they have or not. I will check and tell you.

Senator AIKEN. I think it is a rather urgent matter.

Secretary FREEMAN. They should go on with it; I agree.

Senator MILLER. The last point is in your statement that farm income is still not high enough by any means. I would appreciate it if you would have your people prepare a table to be furnished for the record showing, let us say, the net farm income for 1958, 1959, and 1960, and then the net farm income for 1967 and 1968, and then reducing the 1967-68 net farm income by the amount of inflation that is in the dollar to get it back to the equivalent dollar for 1958, 1959, and 1960, so that we may have a picture of what I would like to refer to as the real net farm income.

Secretary FREEMAN. I will be happy to do that.

(The information follows:)

[Dollar amounts in millions]

Calendar year	Realized net farm income		Purchasing power in 1957-59 dollars of realized net farm income
	Realized net farm income	Price paid by farmers, family living items (1957-59=100)	
1958.....	\$12,675	100	\$12,675
1959.....	11,362	101	11,250
1960.....	11,673	102	11,444
1966 ¹	16,420	110	14,927
1967 ¹	14,491	112	12,938

¹ Preliminary.

Note: Present forecasts indicate that realized net farm income for calendar year 1968 may be around 5 percent higher than in 1967.

Senator MILLER. It is always a pleasure to have you here, Mr. Secretary.

Secretary FREEMAN. Thank you.

The CHAIRMAN. Senator Byrd, do you have any questions?

Senator BYRD. I do not think I have any questions at the present time. I may want to submit some to the Secretary which he can answer for the record.

Secretary FREEMAN. Fine.

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

Secretary FREEMAN. Thank you very much, Mr. Chairman and gentlemen.

The CHAIRMAN. All right, we will next hear from Mr. Heinkel.

STATEMENT OF FRED V. HEINKEL, PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.

Mr. HEINKEL. Mr. Chairman and members of the committee, my name is Fred V. Heinkel, and I am president of the Midcontinent Farmers Association, with headquarters at Columbia, Mo. Unfortunately, the little testimony I have in prepared form was prepared in transit, and I would just like to submit it for the record, if that is permissible.

The CHAIRMAN. Without objection, that may be done in the record at this point.

(The prepared statement of Mr. Heinkel follows:)

Mr. Chairman and members of the Committee, my name is Fred Heinkel, and I am President of the Midcontinent Farmers Association with headquarters at Columbia, Missouri. Midcontinent Farmers Association has a membership of more than 157,000, with a substantial portion of the membership in Illinois, Iowa, Missouri, Nebraska, Kansas, Arkansas and neighboring States.

Mr. Chairman, we of Midcontinent would like to express our appreciation to you for your action in introducing Senate Bill 3590 extending the Agriculture Act of 1965, and to the members of this Committee, for their interest and support of this very vital legislation.

We appreciate this opportunity to appear before you in support of this legislation because we feel that it has not only amply demonstrated its value to the farmers it was designed to serve, but has also been of inestimable value to both consumers and the public in terms of maintaining abundance, price stability and security, as well as assuring greater resource conservation.

Mr. Chairman, we are deeply concerned about the future of the American farmer. And because the family farm and food production are so terribly important to all of us here in America and throughout the world in these critical times, I would like to speak briefly of the past because I firmly believe that the past is but a prologue to the future.

Many of you will recall the boom period before and during World War I—and the disaster that hit the Nation's farmers in 1920 as those wartime markets suddenly began to disappear.

Our production plant was still geared to the abnormal demand of the war and postwar years, while farmers were saddled with a high margin of debt carried over from the wartime land boom.

As a result, in just 12 months of 1920 and 1921, the average of farm commodity prices dropped by one-half while the cost of the things farmers bought remained at high levels.

Throughout the twenties, surpluses and low farm prices were the number one farm issues. While the business boom continued and employment levels stayed high, farmers were constantly plagued by surplus production and attendant low prices.

While new and better farming methods enabled farmers to grow more—for less—debts were piling up, and the soil was eroding and washing away.

Then came Black Friday in 1929, prelude to the worst depression we have ever known.

By 1932, agriculture with a fourth of the national population had only about one-twentieth of the national income. The average farmer, after paying his costs of production, interest, and taxes, had only about \$290 left to live on.

Again, up went production as farmers battled to make ends meet—and the surplus simply hastened the financial disaster that came with 25 cent wheat, 5 cent cotton, 3 cent hogs and 4 cent beef.

Then came 1933—and within three months a concerned—and willing—Congress had drafted and approved the emergency Agricultural Adjustment Act of 1933.

That Act was aimed at providing immediate help to farmers by correcting a basic imbalance between agriculture and the rest of the economy. Adjustment was the keyword—adjustment in income, credit, in production, and in land use.

There was other major farm legislation during the thirties, perhaps the most important of which was the Soil Conservation and Domestic Allotment Act of 1936, and the Agricultural Adjustment Act of 1938.

This was important legislation, important because it provided much of the foundation for the progress that has been made in American agriculture—and in farm programs—in the past 30 years.

During the 1940's agriculture again geared itself to meet the staggering food demands of World War II and the postwar period of world adjustment.

And then once again history began to repeat itself as production outran demand and with price supports on unlimited production (particularly on feed grains) we swelled our national surplus of food.

The culmination of these programs was the bulging stocks of 1961, with 85 million tons of feed grain and $\frac{1}{4}$ billion bushels of wheat, stocks that were costing the Government over one million dollars a day in storage and handling costs.

Net farm income went down under these programs—from \$14.1 billion in 1952 to \$11.7 billion in 1960, a drop to 17 percent.

Since 1961, the Congress has led the way in reversing this trend, first by enactment in record time of the Emergency Feed Grain Program of 1961, followed by the Agricultural Acts of 1961 through 1964 which established programs for wheat, feed grains, and cotton, and extended the wool programs and special milk programs.

Then came the Agricultural Act of 1965 which provided a continuation of realistic programs for the major crops for four years through 1969.

Mr. Chairman, with the help of these programs, the American farms have made good progress. Not as much as you and I would like—but we have made substantial gains.

Realized net farm income in 1967, even though it was below the unusual levels of 1966, was \$14.5 billion, about 25 percent higher than in 1960, and with one exception higher than any year since 1951.

For all practical purposes, our surpluses are gone. The Commodity Credit Corporation investment is down to \$3.4 billion. The inventory of commodities owned by CCC has dropped from \$6.1 billion in 1960 to below \$1 billion, the lowest since 1952.

Gross farm income for 1968 is expected to be nearly \$51 billion, about \$2 billion higher than last year. Realized net farm income will probably pass \$15 billion, some 5 percent above the 1967 level.

Our total agricultural exports have risen from \$4.5 billion in fiscal year 1960 to a new record of \$6.8 billion in fiscal year 1967. Between 1960 and 1967, exports for dollars climbed from \$3.2 billion to \$5.2 billion, a gain of over 60 percent.

Mr. Chairman, under the programs of the past seven years we have made good progress. Yet much remains to be done.

Many of our Nation's farmers have lived through the ups and downs, the economic turbulence, that has beset agriculture since the twenties, and they are concerned that once again history will repeat itself.

They see the constant effort that is being made to erode or eliminate programs that have proved their value, programs that have helped them to work together to tailor agricultural production to meet the needs of the marketplace and improve income.

If the commodity programs provided for in Senate Bill 3590 are not continued we will lose the relative stability that now exists on our farms. That loss would create conditions that would result in an increased movement of people from farms to urban areas, a movement that would bring more untrained and

bewildered people to cities that already are faced with difficult employment, housing and social problems.

Farmers are well aware of what happened to farm prices in 1967 when a minor increase in domestic production ran headlong into larger supplies in the world market.

And they are painfully aware of the cost-price squeeze, and the fact that while they have made constant gains in their effort to catch up with the non-farm sector, a substantial number of farmers are still far from achieving anything like a parity of income.

We think that farmers, by their continued willingness to take part in the voluntary programs provided by the Agriculture Act of 1965, have thoroughly demonstrated their support of the principles and goals these programs embody.

I am sure you are familiar with the results of studies that have been made comparing present commodity price levels with those that would prevail in the event current programs are not extended.

All of these studies clearly indicate that farm prices and income would drop sharply if it were not for our present programs. A study made by Iowa State University economists for the National Advisory Commission on Food and Fiber, a group of which I was a member, indicated that in the absence of programs corn prices would fall to 75 cents a bushel, wheat to \$1.27, soybeans to \$1.23, and cotton to 17 cents a pound—and that these prices would continue at those levels for 10 to 15 years.

Economists also point out that even though livestock prices are not supported, lack of an effective program for grains would cut livestock prices as well, since experience indicates that a 10 percent drop in feed prices leads to a 1.5 percent increase in total livestock production—and in turn results in a 5 to 6 percent drop in livestock prices.

Mr. Chairman, these are some of the reasons Midcontinent Farmers Association endorses Senate Bill 3590.

Extension of the commodity provisions of the Food and Agriculture Act of 1965 through 1973 will continue to make possible a working balance between supply and all demands for several major farm products. It will serve to keep farm prices at as high a level as is consistent with remaining competition in world markets. And it will help to assure American consumers a continuing supply of food at fair and reasonable prices.

Mr. Chairman, I cannot urge too strongly the importance of enacting this legislation—now—in order that farmers may continue to make long-range financial, production, and marketing plans.

Since the founding of this country, farmers have never failed to recognize and fulfill their responsibilities to its people. In return, the Nation has a tremendous stake in the agricultural economy and a responsibility to help keep it strong. We feel that early extension of the Agricultural Act of 1965 is an important step in meeting this responsibility.

Thank you very much for the opportunity to appear here today.

Mr. HEINKEL. And then I would like to give a few extemporaneous statements for the sake of saving time.

We appreciate your introduction of this bill, S. 3590.

We support it in the main.

I have not gone into its technicalities. I have not had time, and the prepared statement does not attempt to address itself to the technical features of the bill. We endorse S. 3590 with the exception of title IX about which our people have some distinct reservations.

Our general counsel and vice president will be here tomorrow and will be available for questions if you desire to ask some.

The question with which we deal, as I see it, in this bill, S. 3590, is an old one. It is not a new one. It is that of trying to balance our production to the needs of the market at prices that will permit the farmer to pay his expenses and have a little something left for himself and his family. While the bill enacted in 1965 is not perfect, we think it is a move in the right direction. In fact, the feed grains program and the wheat program and the various programs, we think have made some progress in the right direction.

As I recall it, in 1952 our net farm income was \$14.1 billion, and in 1960, it was down to \$11.7 billion, and in 1967 it was back up to \$14.7 billion, and it is estimated to be about \$15.2 billion this year. That is not a fantastic gain, but certainly it is some progress and in the right direction.

While we have been doing this, we have worked out these real burdensome surpluses above what might be considered a proper reserve. We have stabilized prices. We have assured the consumers of an adequate supply, and we have accomplished considerable conservation so far as the land resources of the country are concerned. All of this, it seems to us, is good and in the right direction.

On the matter of the extension of the bill, I feel—and I know that in my contact with these thousands of farmers, and we do have 157,000 members in Missouri and in the surrounding States—there is much interest in the extension of the act as there is in the features of the act itself, because not to extend it this year—and they are all highly in favor of the 4-year extension. I think, Senator, they would go along with you on the 40-year extension, but they would settle for the 4-year extension. They think that is much preferable to a 1-year extension. While in Japan recently on a trade mission trip, I made some observations that I think worth throwing in. We heard comments such as this: “Maybe you will not have a farm program after 1969,” and then hinted that they might be able to buy our grains cheaper. I think that if we go into the year 1969—especially if we come up close, up to the wheat harvest of 1969 without having extended these programs, it will have a depressing effect upon the market price and the income of farmers. That is aside from having the extension of the act for 4 years, so that farmers can do some long-range planning, and 4 years is not very long, at that.

So, I say that this matter of exports and what those people may do to us on prices is quite important.

I do think that we have made a lot of progress in these agricultural acts beginning in 1961 when I would say that we made some rather basic changes, changing price supports in line with world prices so that the products could move into the export markets.

Of course, that world price is a little low, and that is why we have certificate programs, why we have parity payments, to try to hold up the income to the farmers, the farmers who participate in these programs, and I think it should be geared to the ones that participate in the programs. That is the feeling also of all farmers.

So, from every angle, we approach the extension of the act now in 1968 is most important, and it is most important that it be for more than 1 year.

Mr. Chairman, it has been a pleasure to be here and to make these few comments.

The CHAIRMAN. Thank you.

Senator Young?

Senator YOUNG. I am glad to see you here.

Would you not consider this Farm Act about as basic as the Agricultural Act of 1938?

It is a new concept of price support, and has just as much right to have some permanency as the Agricultural Act of 1938?

Mr. HEINKEL. I certainly would agree with that, Senator Young. If you will pardon this reference: As a member of the President's Commission on Food and Fiber, there were other people there who had the same viewpoint that I have, and then there were some people on that Commission who wanted to wipe out all farm programs, and they alleged that there had been no change, and we argued strenuously that there had been some real substantial changes; in fact, basic changes. So, I am thoroughly in accord with your observation.

Senator YOUNG. I do not know of anybody in the United States, Mr. Chairman, who speaks for the average farmer better than Fred Heinkel. He is a long way removed from North Dakota, but if all other farm leaders paid as much attention to the actual farmers' thinking as he does, we would all be better off. I do not wish you any bad luck. You are my friend, but if there was a vacancy in the Secretary of Agriculture's position, you would be my first choice.

Mr. HEINKEL. Thank you for all the fine comments, Senator Young, but I observed some figures a few days ago on farm expenses, and they seem to indicate that out of every dollar that the farmer takes in he spent about 80 cents in 1967 for production expenses, and you are right in line in North Dakota with the average for the Nation. Some States are below, but that does not leave much margin for error. It does not leave much margin for living expenses and medical bills, et cetera. I think that we are running about as close as we ought to be required to run in discharging our responsibility, in feeding and clothing the people of this Nation.

Senator YOUNG. With all of the weaknesses of the present programs they are certainly far better than nothing at all.

Mr. HEINKEL. Absolutely. And as has been indicated, the act can be amended. As I recall, in 1966 we encountered a situation where the cotton farmers lost their crops; they had all of the expense of planting and the expense of cultivation, fertilizing, and the expense of the seed, and due to the weather conditions they lost their crops. You people amended the bill so that they could plant the acreage where the crop was lost to soybeans. So, it is always possible under emergency conditions that may develop to amend the act. So, I would say that, again, we ought to extend it for 4 years.

Thank you.

The CHAIRMAN. Thank you.

Next is Mr. Reuben Johnson of the Farmers Union. Mr. Johnson, as we all know, is director of the Legislative Services, National Farmers Union, and will make the presentation on behalf of Tony Dechant, president, National Farmers Union.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION, ON BEHALF OF TONY T. DECHANT, PRESIDENT, NATIONAL FARMERS UNION

Mr. JOHNSON. I am grateful for this opportunity, Mr. Chairman and members of the committee, to appear before you at this time.

I am going to highlight my statement, and I would request that the parts that I omit be included in the record in sequence.

The CHAIRMAN. Without objection, your entire statement will be made a part of the record at this point.

(The prepared statement submitted by Mr. Johnson is as follows:)

Mr. Chairman and members of the committee, I am Reuben L. Johnson, Director of Legislative Services, National Farmers Union.

I appreciate this opportunity to appear here before the Committee to present the view of Farmers Union concerning S. 3590.

I am appearing here today in behalf of Farmers Union President Tony T. Dechant, who had hoped to present our testimony but is unable to do so because of previous commitments.

Members of the Committee will recall that on April 3 President Dechant led the Farmers Union team of witnesses made up of Mr. Edwin Christianson, Vice President of Farmers Union, who testified in regard to dairy policy; Mr. Ed Smith, Chairman of the Executive Committee, who testified in regard to wheat and feed grain policies; Mr. Jay I. Naman, President of the Texas Farmers Union, who testified in regard to cotton and rice policies; Mr. Elton Berck, President of Nebraska Farmers Union, who testified in regard to livestock policy; Mr. Ray Watson, President of the Illinois Farmers Union, who testified in regard to soybean policy; Mr. Joe Fichter, Director of Organization, Ohio Farmers Union, who testified in regard to poultry policy; Mr. Jack Hall, President of the Virginia Farmers Union, who testified in regard to peanut policy; Mr. Gordon Twedt, President of Montana Farmers Union, who testified in regard to commodity reserve; and Mr. Ben Radcliffe, President of the South Dakota Farmers Union, who testified in regard to protection and promotion of the family farm.

The comprehensive testimony presented by our team of witnesses begins on page 1 of the Committee hearings on Extension of the 1965 Act and ends on page 57. We invite those interested in a fuller view of our policies than I shall present today to refer to this testimony.

Under your guidance and leadership, Mr. Chairman, and that of other members of the Committee S. 3590 has been drafted and introduced in the Senate.

It shall be my purpose today to inform the Committee in as brief a manner as possible of Farmers Union's recommendations. I will be happy to respond to questions during the testimony, Mr. Chairman, if that is your wish.

TITLE I—DAIRY

We fully support extension of authority to establish Class I Base plans in connection with milk market orders.

We urge that the Committee amend S. 3590 to provide that when increased utilization occurs that production bases of existing producers reflect such increases. We support the amendment which we understand Secretary Freeman proposed in this connection.

TITLE II—FEED GRAINS

We are in accord with the provisions of Title II and recommend Committee's approval.

TITLE III—COTTON

We support the extension of the cotton program without change. We therefore recommend to the Committee that language in the Title be deleted which authorizes the five changes spelled out in the staff explanation of S. 3590.

TITLE IV—WHEAT

Mr. Chairman, we are most grateful for your leadership and support in connection with Senate ratification of the International Grains Arrangement.

We are in general support of the provisions of Title IV and suggest the following amendments:

(1) We urge the Committee to authorize the Secretary of Agriculture to provide a special export certificate. In this connection price of wheat moving into export is currently from 13 to 15 cents per bushel below the minimum established by the International Grains Arrangement. A so-called "inverse payment" can result. We are convinced that farmers are entitled to any funds that the government may receive from exporters in this manner. We continue to maintain also that an export certificate of 65 cents per bushel as proposed by Senator George McGovern is justified. We, therefore, urge that the Committee amend S. 3590 to provide for such a certificate. At the very minimum, however, Title IV should be amended to authorize the Secretary to return to farmers any

funds that the Commodity Credit Corporation may receive as a result of differential between domestic and IGA prices.

(2) We urge the Committee to amend this title to provide that one-half of the wheat certificate payment be made at time of sign-up and finally.

(3) We doubt the advisability of attempts at this time to change the value of certificates reflecting changes in parity price levels; therefore, we recommend deletion of Sec. 404 of Title IV.

TITLE V—WOOL

We are in full support of extension of the National Wool Act and urge the committee to approve Title V.

TITLE VI—CROPLAND ADJUSTMENT

We recommend the Committee's approval of Title VI.

TITLE VII—RICE

We recommend Committee's approval of Title VII.

TITLE VIII

Sec. 801 would extend the authority to lease tobacco allotments.

The record should show that the delegates at our recent convention are against sale and lease of marketing quotas and acreage allotments. This practice is depleting rural communities of farm families and is contributing to the problems of cities. We strongly oppose the effort of the Department of Agriculture to extend such authority. The traditional role of ASCS Committees has been to administer such transfers and their role in this matter should not be weakened.

We recommend deletion of Sec. 801 in this title and the record should show that we oppose extension of sale and lease authority to other commodities.

TITLE IX—MARKETING ORDERS

As matter of basic principle, we urge that Title IX not except any commodity from either market order nor bargaining provisions of this Title. In this connection, we respectfully request that the commodity excepted from bargaining provisions of the Title (Sec. J, Line 7, Page 13) be deleted and language substituted which would cover all commodities.

We want to be very clear, however, Mr. Chairman, that we do not look upon Title IX as a replacement or substitute for any program authorized in Titles I through VII. Rather we look upon this Title as providing a supplementary procedure in a similar manner to that additional bargaining power extended to workers when the Wagner Act was passed to supplement other labor legislation.

Additionally, when our witnesses appeared before the Committee on April 3 we urged incorporation of the provisions of S. 2973, introduced by a member of this Committee, Senator Walter Mondale, into any legislation approved by this Committee this year. We continue to hold to the belief that Title I of Senator Mondale's bill is needed also along with the language of Title IX to give farmers the full margin of bargaining authority they need to win economic equity in the market place. We fully support the language of Title IX (Title II of Senator Mondale's bill). But we urge the Committee to give further attention to the fuller and broader bargaining power that Title I of S. 2973 provides.

PROTECTION AND SUPPORT FOR FAMILY FARMS

Mr. Chairman, in closing, our delegates adopted a resolution in March in support of family farms as follows:

"We strongly recommend adequate family farm protection with upper limits on government payments so that city oriented larger than family farms will no longer compete unfairly with families to make a living on the land."

Our delegates also urged the Secretary of Agriculture to make a study directed toward defining family farms on a county-by-county basis in order that differences between agricultural areas of the Nation might be taken into account. The continuing efforts of farm program critics to put a limitation on government programs dictates in our judgment an urgent need to identify positively commercial family farms in order to establish such a criteria. We must make sure that any limitation approved by Congress is fully consistent with the objective of protecting and supporting family farms.

Mr. JOHNSON. When we appeared before the committee earlier we, too, felt that a permanent program was justified. Certainly, we would hope that the committee would follow the provisions of S. 3590 and extend the program 4 years. We will do everything we can, if the House should pass a 1-year bill, to get approval in conference of that provision of S. 3590.

We fully support the extension of authority to establish class I base plans in connection with milk marketing orders.

Mr. Chairman, in this connection, I understand that there is some problem in market orders with a class I base plan, reflecting increase in utilization back to bases of established producers in the order. I do not recall the Secretary having mentioned this, but the Department of Agriculture has given some attention to it. I understand that they do have an amendment which is available to the committee, and we should like to support that amendment to title I.

Title II; we are in accord with the provisions.

Title III; we support the extension of the cotton program. But, Mr. Chairman, we have unable to determine how the proposed changes improve the program. We would simply like to see the amendments that you have in S. 3590 deleted and the program extended as it currently operates without change.

I was in the gallery the day that you made a statement, Mr. Chairman, on the International Grains Arrangement. I thought you were most eloquent in your defense of the arrangement; and, of course, it is a part of our own domestic program for wheat, as one relates to the other. I want to commend Senator Young also for his fine efforts.

In connection with wheat, we are currently in a situation that is unique in the United States, a situation in which the exporters of wheat are actually making a payment back to the Commodity Credit Corporation, reflecting the difference between a lower domestic price for wheat and that which we are trying to reach under the International Grains Arrangement. I just asked the Secretary in the hall what this amounted to, and it seems to vary as between classes of wheat. It runs about 8 to 18 cents a bushel.

We in the Farmers Union are convinced that the wheat farmers are entitled to that special support certificate which would put this money in their pockets, and we would like for this committee to give some thought as to how that might be done. Of course, I would like to make it clear that we would like to see more money in export certificates. We have supported the bill that Senator McGovern introduced earlier which provided 65 cents. Certainly, producers should have some claim on the amount of money that is being returned to the Treasury for wheat produced. We could justify an export certificate to return the money in some equitable manner to the producers of wheat.

Mr. Chairman, we support the wool program and title V.

We have no problem with title VI—the cropland adjustment title.

We support the provisions of title VII.

And in regard to title VIII, let me say that we continue to feel that these allotments are depleting the numbers of families in rural areas. We are opposed therefore, to the extension of sale and lease authority to any commodity. We are opposed to it as it relates to tobacco in title VIII.

Mr. Chairman, on title IX, marketing orders, as a matter of basic principle, we would urge that title IX not except any commodity. Whether we are talking about provisions relating to marketing orders or relating to bargaining, we think that there should be no exclusion, no exception. Once you open up the door to exclusions as has been demonstrated in the hearing here today, all of those who have traditionally been opposed to any farm program come in and get their foot in the door trying to get out. Because these vested nonfarmer interests do not generally represent interests of producers, we urge you to ignore their opposition to title IX.

We do not know what the future holds; we do not know whether we are forever going to be able to keep the programs we have. We feel that it is a comfort to have as a backstop such market order coverage as found in title IX. Certainly, I can see no outlook ahead for a marketing order for cotton or some of the other commodities. But, as a matter of basic principle, we would hope that you would not exclude anything so that if in the future some commodity producers, whoever they may be, decided to develop a marketing order, they would be able to do so.

Mr. Chairman, in closing, I would like to refer back to the testimony which our group presented in regard to family farms. Farmers Union delegates said in March:

We strongly recommend adequate family farm protection with upper limits on Government payments so that city-oriented larger than family farms will no longer compete unfairly with families to make a living on the land.

Our delegates also urged the Secretary of Agriculture to make a study directed toward defining family farms on a county-by-county basis in order that differences between agricultural areas of the Nation might be taken into account. The continuing efforts of farm program critics to put a limitation on Government programs dictates in our judgment an urgent need to identify positively commercial family farms in order to establish such a criteria. We must make sure that any limitation approved by Congress is fully consistent with the objective of protecting and supporting family farms.

We think that in the next few weeks ahead of us we face another attempt in the House to amend the farm bill, assuming that they will get the bill to the floor—another attempt to amend it, to put some kind of limitation on payments. We want to continue with a look at the problem to see if we cannot provide some way to make the payment programs work better for the sector of agriculture that we, in the Farmers' Union, are vitally interested in—the family farm sector. I thank you.

The CHAIRMAN. Thank you. In respect to your opposition to excluding commodities, quite a few members of the committee felt that in order to get a start with such a bill as that, to put in some commodities, that we could deal with them and later on try to add the others. In other words, it is being done for that purpose.

Mr. JOHNSON. My good friend, Harry Graham, has probably a suggestion for you in this regard. But we would like to take a closer look at this and see whether we can fix it so that we will have a fallback to the title IX kind of program in the event that we should lose the programs we have now.

Thank you, again.

The CHAIRMAN. All right. Thank you again.
Mr. Graham.

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

Mr. GRAHAM. Mr. Chairman and members of the committee, I will file my statement and then make some comments on it.

The CHAIRMAN. Without objection, your statement will be made a part of the record at this point.

(The prepared statement submitted by Mr. Graham is as follows:)

I am Harry L. Graham, Legislative Representative of the National Grange.

The Grange is pleased at the work of the Committee and the staff which is evident in the legislation which we are considering before this distinguished Committee today. We commend you for the study that you have made, for the presentation that you have also made and for the faithfulness with which you have observed the recommendations of the majority of the witnesses which appeared before this Committee earlier in the year.

We would say at the beginning of this testimony that, although we will suggest some changes which we shall point out, nevertheless, we are convinced that this is a good bill in the interest of agriculture and we will support it, even if the Committee may not decide to make any changes from the present format.

We would have been pleased had the Committee and the staff seen fit to exclude the termination dates from the Act but the language extending the Act for four years makes it adequate for our purposes, especially if the legislation is enacted this year.

TITLE I—DAIRY

We are pleased that the termination date has been removed from Title I which is the Class I—Base Plan Authority. This not only gives permanence to legislation but solves a rather sticky question as to what happens when a base plan has been adopted and then the authority for such a base plan expires with the law. This provision which you have made is a proper answer to that new question. We would still suggest that language be used in this section of the Act which would permit producers to retain some of the market growth, the remainder given to new producers. New producers can acquire bases by purchase or transfer under the present law. However, it seems unfair to permit only *new* producers to be *given* bases while not granting to old producers *any* part of market growth, a part of which may have come as a result of self-assessment for funds for advertising and other market development.

TITLE II—FEED GRAINS

We would approve without change Title II concerning feed grains.

TITLE III—COTTON

We support the extension of the cotton program for 4 years. We think the suggestions for housekeeping changes have merit, but we would agree to delay the consideration of these and other desirable changes until next year.

TITLE IV—WHEAT

We would approve without change under Title IV which deals with wheat, Sections 401, 402, 403 and Section 405.

We would raise a question about the advisability of Section 404 and especially in terms of opening up what could be a kind of "Pandora's Box" and we would suggest that you strike this section.

We are pleased that the International Grains Arrangement has been ratified by the Senate and has been implemented by the Department of Agriculture so rapidly and, this action, coupled with the announced wheat program for the 1969 crop year gives us an assurance that there would be some improvement in the market price, although not as much as we would hope with the projected heavy yields around the world during this crop year.

We continue to believe that the wheat which goes into P.L. 480 use should be eligible for market certificates, all of them from the general fund, to provide for 100% parity for that part of the crop which is used by the Federal Government in its foreign policy program when it is found to be in the national interest. We believe that the selling of this commodity for soft currencies at prices which are far below that which should be reasonably expected and at many instances at prices below the cost of production, is asking the American farmers to subsidize the foreign policy of the United States. I don't think there is any question as to the patriotism of the farmers in their desire to do what they can to help with our foreign policy, but there is a question as to their ability and as to the economic wisdom of having these producers of the nation's wealth carry such a heavy load—a load that is disproportionate to the rest of the economy.

We believe the legislation is deficient in its failure to provide for our strategic reserve for wheat and feed grains as well as for soybeans, and also that something should be done to alleviate some of the inequities that come as a result of basing the parity level on a Kansas City price backed off to the farm, reducing the support price by the amount of freight from the farms to Kansas City. This, in our judgment, is a false assumption based primarily on the assumption that all wheat is marketed in Kansas City. It is not so and there should be some kind of adjustment made which would permit the adjustment upward of those parity prices for wheat which is considerable distance from this primary market point, especially when considerable amounts of the wheat are consumed in areas closer to the production than Kansas City is.

We also want to restate our desire to permit the establishment of a strategic or security reserve for wheat, feed grains, and soybeans.

We would urge the Committee to include these in its final bill but, if you do fail to do this, we shall support the bill with the understanding that we will be back before the Committee next year for revisions in this legislation and for perfecting amendments which will make it more acceptable to the wheat producers of the country.

TITLE V—WOOL

We are in agreement with Title V concerning the extension of the current wool program.

TITLE VI—CAP

Title VI which relates to cropland adjustments has our support. We are pleased that the Committee saw fit to include some of the expenses which are consistent with the payment which is made to other advisory committees, and which we believe will bring better representation into Washington when this advisory committee meets.

We would be pleased if in the legislative history of the Act, that the Committee would state its intentions in terms of section 603 when it speaks of "ample time to permit producers a reasonable opportunity to make arrangements to return their land to agriculture production." We believe that some definition of ample time would avoid confusion and misunderstanding in the future. We would suggest that this not be less than 6 months.

TITLE VII—RICE

We support Title VII which extends the rice program up to and including 1973.

TITLE VIII—MISCELLANEOUS

We support Section 801 as it is written which extends the tobacco allotment lease authority through 1973.

Section 802 has our support because it prevents an unnecessarily harsh cut which might result from adverse weather conditions.

TITLE IX—MARKETING ORDERS

We have carefully considered the language of Title IX which expands and amends the marketing order legislation to permit collective bargaining. We believe this is consistent with the desires expressed by the Grange in previous testimony and will therefore support this part of the legislation.

We suggest that language be substituted for Section 905, Sec. 8c(6) (J) beginning on Line 7 which will except any commodity for which there are marketing quotas or voluntary adjustment programs which are in effect. This would accomplish the same purpose as the listing of individual commodities, but it will also permit collective bargaining if the programs are terminated. This seems to be a prudent consideration.

We have some concern that the failure to provide more exact language to clarify the role of cooperatives which are also processors leaves the part of the bill in parentheses beginning on line 11 of page 13 open to considerable misunderstanding and possible litigation. We would support efforts to clarify this language.

The Grange thanks the Committee for developing this proposed legislation. We believe it will serve the urgent needs of agriculture and the national interest; even though we have made suggestions for consideration of the Committee in certain sections of the Bill.

The early passage of this (or a comparable) legislation will add much to market confidence and stability. These are urgent requirements now.

On behalf of the Grange, I, therefore, pledge the support of our organization and assure this Committee that we will exert every reasonable and proper effort to assist in its enactment in present, or such modified form as this Committee may or is likely to report out.

Mr. GRAHAM. In doing this, it might make more efficient use of your time.

First of all, the way that this bill has come from the committee and from the staff, we want to compliment both you and the staff on the work you have done. We would have preferred that it be made a more permanent bill, but 4 years certainly makes it adequate for our purposes. We are not inclined to argue with the point.

The 4 years gives us time to make the item-by-item improvements that are necessary in the various fields of commodity products; and in talking of the problems of wheat, some are housekeeping, and some are substantial problems. They are all the way down the line. This gives us time to attack them and to have sufficient time for collaboration to do a good job on them, and this seems to be an excellent approach that you are making, so that we want to commend you for it.

We have some suggestions that are not just going to be contentious. As the Secretary said, we are not shedding any blood on these—the class I base plan, in title I, we think that making this permanent is extremely important, because the failure to do so, I think, is keeping some marketing orders out of this.

There is another section in here. We understand that it did not originally come in as a part of the administration's program, that it got lost, as they say in the paper, in the shuffle, a part which would permit the producers to retain some of the market growth. The present legislation is very unwise at that point, in that it requires all new production to be given to new producers. It mitigates against market developments, and this is the main reason for that.

Title II, we would support without change.

Title III, we would support without change. There may be some housekeeping problems that will have to be dealt with, but we are satisfied with it as it is.

Title IV, in wheat, we would support with the exception of section 404 which deals with the passing of some of the certificate costs over to the consumer and the processor, and we think this is an argument that we fought as vigorously as we could, and we lost it.

The CHAIRMAN. The Secretary of Agriculture said it would not do much good to anybody, that it would penalize the consumer.

Mr. GRAHAM. And it would make a lot of people mad. I do not see anything to be gained by it. We think it is unnecessary.

The CHAIRMAN. We will get Senator Young to work on it further.

Mr. GRAHAM. I think probably he had a different concept as to the way it would work before today, and even before that.

In terms of a marketing certificate, these again are changes that we do not think we will have to have this year, but we still think that the wheat negotiations under Public Law 480, at least as to the Government share of the certificates should be eligible, and obviously will be eligible for the domestic market. There is no way of assessing that, but for the others we are still doing a pretty good job of subsidizing foreign policy through agriculture, and this kind of splits the difference on it.

In terms of export certificates, the inverse subsidy, as we understand it today, the announcement that came out immediately after the International Grains Arrangement was passed by the Senate and ratified—and we were very pleased that they implemented it the same day and did not let any grass grow under their feet. Within 2 hours, they had implemented it, which requires an inverse subsidy, as they call it, from 18 to 24 cents, depending on the kind of red wheat, but there is an export subsidy still required to get some of the wheat onto the market, and we think that the law and the Department have cognizance of this. The law as presently written would require that if there is an excess of money from the inverse subsidy received during the year over that which was spent in the direct subsidy, to increase the exports, that the money will be forthcoming to the producers in the form of a certificate, a bonus certificate, at the end of the year. So, at that point, we do not need export certificate legislation to accomplish that purpose. In our judgment, it is that in the law right now.

Because the question was raised, I wanted to make a comment on it.

You know our position on strategic reserves, one that you and I do not always agree on. I will not press this one now. I will just say it is in the record.

We agree with the wool program.

The CAP program, title VI, we are in agreement with. We would like a little definition, maybe in the legislative history as to what a reasonable opportunity to make arrangements to return their land to agricultural production means. That is section 602. What is a reasonable time? We think it should probably be 6 months or payments in lieu thereof. But this is a matter of clarification and not anything substantive.

Title VII, on rice, is completely within our support.

As to miscellaneous, we would support section 801 and section 802. Section 802 we think has real merit, and it prevents unnecessary harsh cuts which might result from adverse weather areas, and this is a good protection.

Market orders, title IX, we are in agreement with the thrust of what the committee and the staff has tried to do. We think this might be helped, because this question has come up of exceptions. To think of it, from the other side of the question, that is, the exception being made on the basis of definition of what situation that crop has in relationship to programs. The real problem would be, in our judgment, to have bar-

gaining legislation that would permit some kind of crop limitation on top of the limitations of production that we have in those commodities that are under marketing quotas or voluntary adjustment programs. We get two types of legislation to do the same thing. We are simply doubling up. There is no great problem in our judgment about having some bargaining available for those crops that are only support crops, because we have found in milk that we have had to do some bargaining on top of the marketing order. So, in general, it seems to us that if we could get language to say what the exception would be for those commodities that were under mandatory marketing quotas or voluntary adjustment programs, we have about covered the problem.

And if some of these go out of one program they automatically become eligible for the other. We do not have to have specific legislation every time a change is made. This becomes a sort of a kind of automatic thing. It seems to me that it would simplify the whole thing a great deal, and it becomes self-defining and self-operating, because we might drop the cotton program, for instance, or the wheat program by legislation—you know, legislation could do away with wheat and feed grains. This would automatically make them eligible for another program without having to come back to the committee and say "We need specific legislation to do something for specific crops for a specific period of time." And then it would have to go through the regular process. This is a matter of definition. It seems to us that this definition would meet the intent of the committee and still leave the flexibility which, I think, also is of interest.

We are a little concerned with the plans about necessity of clarifying the language in the parentheses in title IX in the line beginning on line 11 of page 13, where the question comes up as to whether these cooperatives are producers or processors, and there they are neither fish nor fowl or maybe they are both. Apparently, it is one that is troubling a good many people, and if we could find some way of getting more specific language to remove some doubts, so that there is more definiteness, we think it would improve it.

These are not substantial changes. We are getting down to the nit-picking stage now, because you have done such a good job, but there seemed to be areas in which some slight improvements of language can be made without changing the intent and the purpose and the very excellent thrust of the legislation that has been presented to us from the committee.

I thank you.

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

Without objection, Mr. Robert N. Hampton's statement for the National Council of Farmer Cooperatives will be made a part of the record at this point.

(The statement referred to follows:)

WASHINGTON, D.C.,
June 27, 1968.

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

DEAR SENATOR ELLENDER: The National Council of Farmer Cooperatives wishes to reaffirm its support for the principle of broadened eligibility for marketing order programs for farm commodities, as proposed by Section 901, Title IX of S. 3590.

As we said in our testimony on S. 2973 earlier this year, we believe farm groups should have this standby authority to decide whether they might want to vote on a marketing order without undue delays if future circumstances so dictate. This omnibus enabling legislation provides another option for farmers to take steps to help themselves, and might prove to be valuable insurance even for our basic crops if their present programs were to be terminated or if other emergencies should develop.

While farmers obviously need greater bargaining power, through farm programs, through cooperatives, or through some other group bargaining approach such as that proposed in Section 905 of S. 3590, we must again express our concern that these Section 905 proposals for producer bargaining committee activity do not clarify the appropriate role for existing marketing cooperatives. Without clear definition of their position under provisions of this bill, cooperatives are faced with the dilemma of acting two roles—that of a producer's representative, and that of the handler. Nor is it clear what practical steps might be taken by a producer bargaining committee toward price negotiations with "groups of handlers"—but unless such steps were possible, Section 905 might prove to be a very ineffectual approach to farmer bargaining power.

This organization's policy and our position on other aspects of Title IX of S. 3950 has been set forth in my statement of April 5, 1968 before this Committee.

We commend the Committee for its prompt and searching approach to this important matter of more bargaining power for farmers. Farmers, as well as legislators and educators, need broader airing of the issues and possible courses of action involved. Farmers' own group action is obviously the only major alternatives to massive permanent government assistance. We urge not only the support this Committee for broadening of marketing order opportunities for self-help, but intensification of farmers' own cooperative marketing efforts which can fully exploit the potential of the marketing order mechanism.

We would appreciate the inclusion of this letter as part of the hearings record on S. 3590.

Sincerely,

ROBERT N. HAMPTON,

Director of Marketing and International Trade, National Council of Farmer Cooperatives.

The CHAIRMAN. And in addition, I would like to place in the record without objection a statement by Senator Burdick.

(The statement referred to follows:)

STATEMENT OF HON. QUENTIN BURDICK, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Mr. Chairman and Members of the Committee: I appreciate the opportunity to appear before this Committee in support of extension and improvement of the Agricultural Act of 1965. I am pleased that Senator Ellender has introduced S. 3590.

Favorable action on this legislation is of extreme importance to the people of North Dakota, a State which received a higher percentage of its income from agriculture than any other in the Union.

I can say with confidence that the great majority of North Dakota farmers are in general agreement with the basics of the 1965 Farm Act. I believe that after three years of operating under the authorized programs North Dakota farmers are in concurrence with the voluntary approach Congress and the Administration took in 1965 on wheat and feed grain programs. The flexibility that these programs offer fit well into the type of farming operations in North Dakota, and they have great appeal. Most notable is the popularity of the substitution clauses on wheat and feed grains and the built-income insurance features of the wheat certificate program.

At the same time, of course, I am sure we are all aware that these programs were more popular about two years ago than they are now. The price skids since 1966 have put the programs to a severe test.

But I think the programs will survive the test; that with experience gathered in running the programs plus strengthening amendments these programs will result in strengthened farm prices.

The wheat section of the legislation is, of course, of the greatest consequence to North Dakotans. Our State is second only to Kansas in the production of wheat, a crop which brings to North Dakota farmers about one-third of their

total cash receipts from farming. Indicative of the support for the wheat program in North Dakota is the fact that about 95 percent of our wheat acreage allotment is enrolled in the voluntary program this year.

Wheat certificate payments also have a big impact on North Dakota's economy, bringing in nearly \$100 million each year to the State.

North Dakota farmers are also aware that the adoption of the wheat certificate program paved the way for the significant increase in their wheat exports.

The design of the basic farm legislation to make U.S. wheat competitive on the world market plus price protection to the producer in the form of wheat certificate payments has helped greatly to boost export sales and thereby add to the gross income of North Dakota farmers.

I believe the wheat certificate program, in the years that it has been in operation, has proven to be beneficial not only to the producer but also to the consumer both at home and abroad. It should be extended and strengthened by the proposed amendments.

Compared to some of the other states, North Dakota is not a large producer of feed grains. Nevertheless, extension of the feed grain program is vitally important to our State not only for feed grain producers but also for the several thousand farmers who substitute wheat for feed grains.

Last year more than 30,000 North Dakota farms were enrolled in the feed grain program for which farmers received more than \$8 million in price support and diversion payments. This has had a considerable impact in adding to income of farmers. And of course better farm income also means better business conditions.

In my testimony today I have only mentioned two of the sections of the bill—the wheat and feed grain sections—the two sections which are most important to North Dakota farmers.

But this does not mean that other sections are any less important to the Nation as a whole.

North Dakotans have a long and consistent history of supporting farm programs. Our farmers are fully aware that their productive capacity—and that of other farmers in the Nation—is such that without farm programs they would be faced with excessively high production and ruinous prices.

Farmers in North Dakota and elsewhere need farm programs now to help them tailor supply to demand. And they will need them for some time to come.

I believe the 1965 Agricultural Act has worked well in combatting excess production capacity problems. It does need strengthening amendments such as a strategic reserve section, farm bargaining provisions and an export certificate section. But, I believe in all events the present law on the books should stand as the basic legislative framework upon which a total farm program can be built.

Therefore, I urge reenactment of our basic farm legislation.

The CHAIRMAN. I would also like to insert in the record a letter addressed to me under date of June 19, 1968, from the National Cotton Council of America, without objection.

(The letter referred to follows:)

MEMPHIS, TENN.,
June 19, 1968.

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

DEAR SENATOR ELLENDER: As you know, I was privileged to appear before the Senate Committee on Agriculture and Forestry for the National Cotton Council on April 9. At that time we presented fully the views of the cotton industry on extension of the 1965 Food and Agriculture Act. The purpose of this letter is to supplement those views in the light of subsequent developments, including the bill (S. 3590) you introduced a few days ago.

You will recall that the Council recommended a number of modifications in the present program, but emphasized the importance of extending the competitive one-price system on a *continuing* basis. After all, there was no termination date in the 1938 Act, the 1948 Act, the 1949 Act, the 1956 Act, and the 1958 Act. In other areas of our economy, legislation is generally passed on a continuing basis, and our feeling is that cotton should be accorded the same treatment. The very essence of our testimony was the recommendation for a *long-range* program to rebuild confidence in cotton.

Since the April hearings before the Senate Committee, the various cotton producer groups across the Belt—most of which supported the Council recommendations and some of which had additional recommendations of their own—have begun to realize the extreme difficulty of getting even minor modifications in the law enacted in the weeks remaining of this session of the Congress. In fact, there has developed a broadly based view that the overriding consideration should be to get a one-year extension to carry the present law through the 1970 crops.

Obviously the new Congress that convenes next January will need time to organize. We will have a new Administration with a desire to develop its own plans. Under these conditions, and without an extension of one year, the new Congress would be faced with an almost impossible time situation, which couldn't help but be reflected in uncertainty and result in real hardship throughout much of agriculture, and certainly would not provide conditions favorable for the development of a sound, long-range farm program. A one-year extension now would give the new Administration and the new Congress a part of next year and early 1970 to appraise the present program and the changes needed in it.

It is quite clear that this is the sentiment that is crystallizing in the cotton industry. While it isn't a position that has been adopted officially by the governing body of the Cotton Council, we felt it should be reported to our agricultural leaders in the Congress.

We will appreciate your placing this letter in the record in lieu of oral testimony. A copy is going to each member of your committee.

Respectfully,

CHARLES R. SAYRE,

Chairman, Committee on Industry Practices and Policies, National Cotton Council of America.

The CHAIRMAN. The remaining witness is Mr. E. M. Norton, secretary of the National Milk Producers Federation.

We will be glad to hear from you.

STATEMENT OF E. M. NORTON, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. NORTON. Mr. Chairman, my name is E. M. Norton, and I am secretary of the National Milk Producers Federation.

I would like to comment on two things in my statement and ask that the entire statement be made a part of the record.

The CHAIRMAN. Without objection, that will be done at this point. (The prepared statement of Mr. Norton follows:)

Mr. Chairman and Members of the Committee: My name is E. M. Norton, and I am Secretary of the National Milk Producers Federation.

The Federation, with offices at 30 F Street, N.W., Washington, D.C., is composed entirely of dairy cooperative associations which are owned and operated by dairy farmers. We have members in all of the states of continental United States, and our members handle and market a complete line of milk and dairy products for their farmer members.

I. CLASS I BASE PROVISIONS

Title I of S. 3590 provides for the extension of the Class I base plan authority in the Food and Agriculture Act of 1965, on a permanent basis.

As some of you will recall, the Federation worked diligently to persuade the Congress to authorize the Class I base plan.

However, as the Class I base plan authority was enacted, it contained language which has been interpreted by the Department of Agriculture in a manner that makes it very difficult to operate such a plan equitably, effectively, and to best serve the interests of the fluid milk producers and markets.

We think this fully explains why only one Class I base plan has, so far, been put into effect. We know of several markets that have developed Class I base plans, and no doubt will move to have them effectuated as soon as the legislation is perfected and the authority is extended.

We endorse the proposal in S. 3590 that the Class I base plan authority be made permanent; but we think it highly desirable, and in fact imperative, that it be amended on the basis of experience.

While we testified in connection with this matter, and others, at the general hearings held by this Committee in early April, the matter is so urgent that we wish to reiterate and elaborate upon the amendments the Federation desires be made to the Class I base authority, as set forth in detail in S. 3432 introduced by Senator McGovern, and the reasons therefor as follows:

(1) As noted, we agree that the authority should be made permanent. Thus, Title I does recognize that a termination date of authority for provisions of Federal milk marketing orders is impractical. Present procedures, such as the detailed work involved in developing the plan for a market, holding public hearings, and otherwise abiding by the administrative procedures necessary to make an order or a base plan effective, are very slow and cumbersome. Hence, a termination date markedly inhibits the development of such important programs as Class I base plans.

(2) The proposal would authorize use of marketings of milk during a representative period, not limited to one year, and not restricted to a single period of time.

The 1965 Act, as interpreted by the Department of Agriculture, requires the use of a single representative period of time to establish a permanent history of marketing by a dairy farmer.

If a farmer does not initially establish such history of marketings during the representative period, he is destined to participate in the market as a new producer, unless he obtains a history of marketings by transfer or purchase from another dairy farmer.

Furthermore, as interpreted, a producer cannot earn additional base under any circumstances. He can only increase base by purchase. This type of provision is too rigid.

(3) The amendments would authorize use of allocations of fluid milk utilization among dairy farmers on the basis of their respective histories of marketings, which allocations also would be subject to adjustment from time to time.

The 1965 Act, as interpreted by the Department of Agriculture, allocates fluid milk utilization among dairy farmers on the basis of their histories of marketings and for the same period of time as was used in establishing such histories of marketings. Under these conditions, all market growth each month is set aside for allocation to new producers (new dairy farmers) and for the alleviation of hardship and inequities among dairy farmers before any can accrue to the month by month benefit, if any, of established producers. Thus, for any given month, new producers or hardship producers can receive allocations and average prices which are higher than those obtainable by established producers.

In fairness to dairy farmers who have supplied the market, their allocations should be at least as high, on the average, as allocations to new producers, or allocations made in the interest of equity among producers.

Also, under the provision as now interpreted, a new producer can never *earn* a base. The only "base" he would have would be that assigned from month to month, and may range from zero to his total deliveries, depending upon the relationship between market growth, if any, the number of new producers and adjustments for hardship.

(4) The proposed new authority would enable the Secretary of Agriculture to provide methods of establishing histories of marketings and allocations of utilization for new producers so that they, in time, can earn a base comparable to old producers, and to make adjustments to alleviate hardship and inequity among producers, but these should not necessarily be contingent on market growth.

(5) The proposed new authority should not preclude reduction of histories of marketings for farmers who do not deliver their allocations of the fluid milk requirements of the market. If a farmer delivers less than his allocation of the fluid milk requirements of the market, his history of marketings should be subject to reduction if provided in the order.

(6) The proposed amendments would provide specific authorization for making seasonal variations in prices paid producers (dairy farmers) without regard to seasonal variations in prices charged handlers for milk in each use classification. This would be an alternative to base plans.

Cows naturally produce more milk in the spring and early summer months than at other times of the year, but requirements of consumers for fluid milk do not vary from season to season in a similar manner. Dairy farmers can be encour-

aged to improve herd management to result in milk production more nearly in accordance with the needs of consumers. This encouragement can be made through a price adjustment—increasing prices during the fall and winter months of the year and decreasing prices during the spring and early summer months.

For other reasons, it is desirable to maintain prices to handlers at the same level from month to month throughout the year. Under the proposed amendment, money would be accumulated during those months when milk production was at its highest level and disbursed as a means of increasing prices to farmers during months when milk is more urgently needed. Several of the orders now contain such plans under Sec. 8c(7) (D) of the Act, and we think it desirable to provide more specific authorization for such plans.

(7) The proposed amendment would provide individual voting by dairy farmers on referenda on base plans which allocate fluid milk utilization among producers (dairy farmers), but would provide representative voting by cooperative associations on behalf of their members with respect to other base plans and on all other matters.

II. SECTION 903 OF TITLE IX OF S. 3590

Currently, Section 8c(5) (A) provides authority for "(A) classifying milk in accordance with the form in which or the purpose for which it is used, and fixing, or providing a method for fixing, minimum prices which handlers shall pay . . ."

As it is proposed to be amended, Section 8c(5) (A), the relevant portion would read "(A) classifying milk in accordance with the form in which or the purpose for which it is used, and fixing, or providing a method for fixing, 'by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers), or otherwise,' minimum prices which handlers shall pay. . ."

We are not in favor of this proposed amendment, for the reasons that:

(1) The current methods of fixing or providing methods for fixing prices by the Secretary have been adjudicated by the courts. We see no reason to disturb or in any way change the currently clear-cut authority, particularly when the language proposed seems to be overriding, or at least could be so interpreted.

(2) In most fluid milk markets, cooperative associations represent the greater majority of milk producers, not only in price bargaining, but in performing other services for them. There would appear to be little reason for the separate provision for producer committees, particularly in view of the fact that in the hearing procedure, all types of producers—cooperative and non-cooperative—can be heard as a matter of right.

As a matter of fact, I am sure that there is not a single Federal milk order in existence that was not developed by cooperatives in the market, and in which they did not take the major part in promulgation, and later, amendatory proceedings. The system has worked very well. Why change it?

III. FEDERATION PROPOSALS FOR ADDITIONAL AMENDMENTS TO THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

With your permission, I would like to set forth, very briefly, certain additional proposals to amend the Agricultural Marketing Agreement Act of 1937, as follows:

(1) *Advertising.*—For some years, dairy farmers and their cooperative associations have supported efforts to increase sales of dairy products through educational and promotional organizations established for this purpose, but in many areas of the country, there is a lack of participation, particularly in some of the larger fluid milk markets.

It was for the purpose of requiring participation among all farmers supplying a Federal milk order market, if approved by two-thirds of the producers in a referendum, that the Federation adopted a policy seeking amendment to the Agricultural Marketing Agreement Act of 1937 to authorize the use of producer funds for marketing research, advertising, sales promotion, and other programs designed to improve or promote the consumption of milk and its products. Senator McGovern has introduced a bill, S. 3433, which would give effect to our resolution. We urge that S. 3433 be adopted.

(2) *Administrative Review Procedures for Producers.*—Section 8c(15) (A) of the Agricultural Marketing Agreement Act of 1937, establishes an administrative procedure which handlers are required to use before they are privileged to seek redress in Federal courts. This review procedure has worked well.

Heretofore, no such procedure has been provided for producer complaints. The Act should be amended to authorize the same procedure for judicial review by the Department of Agriculture of complaints of producers and cooperative associations as is now provided for handlers, before such complaints may be subject to review by the Federal courts.

(3) *Reimbursement for Services Performed by Cooperative Associations.*—Cooperative associations marketing milk under Federal orders perform many services which benefit all producers, as well as handlers and consumers, among these being such services as balancing supplies among handlers, providing a market for milk which is in addition to the requirements of handlers, maintaining milk plants to manufacture the reserve supplies, and the like. Oftentimes, the cost of rendering such services, beneficial to all producers and to the market generally, cannot be recovered by the cooperative. Consequently, the Federation recommends that the Agricultural Marketing Agreement Act of 1937 be amended to authorize the use of pool funds, as provided by order provisions developed by the Secretary of Agriculture through hearings, to reimburse cooperatives for services performed on behalf of all producers.

IV. GENERAL COMMENTS AND LEGISLATIVE RECOMMENDATIONS

Dairy Cooperatives have a long and successful history of representing the interest of dairy farmers in price negotiations and in marketing activities.

The Federation believes that farmers need additional bargaining strength. Insofar as milk is concerned, however, such bargaining power should be achieved by strengthening cooperative marketing associations rather than through committees. The Federation believes, therefore, that any bargaining for dairy farmers under any provision of S. 3590 or the Agricultural Marketing Agreement Act of 1937 as it may be amended, should be through producer-owned and controlled cooperative marketing associations.

Furthermore, the Federation opposes any legislation under which marketing allotments could be applied to milk.

Dairy Import Controls.—We again urge you to enact S. 612, the Dairy Import Act of 1967, for the following reasons:

(a) Only about a year after the President issued quotas on butterfat-sugar mixtures and other products, we are going into another Tariff Commission hearing to consider tightening up on the quotas and placing quotas on commodities not currently under quota, such as chocolate crumb, condensed and evaporated milk.

(b) Evasion of quotas and subterfuge is rewarded by granting quotas on the products used to evade our quotas.

(c) Foreign countries are heavily subsidizing butter, nonfat dry milk, and evaporated and condensed milk. The Netherlands is exporting butter for as low as 15 cents per pound, compared to a price of 72 cents inside the Netherlands. France is selling butter in export for from 13-16 cents per pound (storage) to 29.5 cents per pound (fresh), with an internal price of 80 cents per pound. Nonfat dry milk is being sold by exporting countries as low as 10-12 cents per pound. Export subsidies on sweetened condensed and evaporated milk range \$2.00 per case or more.

(d) Our unneeded dairy imports add substantially to the cost of the price support program and to the dollar drain in our foreign trade.

Butter Plant Payments.—We continue to urge passage of the butter plant payment program as a means of increasing the demand for butter, and thus helping to solve our chronic problem of under consumption of butterfat, both in butter and in fluid milk.

Thank you for this opportunity to state our views.

SUPPLEMENTARY STATEMENT OF MR. NORTON

In our discussions of the meaning of S. 3432 among our staff and with other interested persons, a number of questions have arisen. This supplementary

statement is designed to give brief, precise answers to such questions and thus to make clear what we hope S. 3432 will accomplish.

(1) Clause (d) is a restatement of clause (d) as it appeared in the Act prior to the 1965 amendment, with two exceptions:

a. Clause (d) provides authority for *base plans not adjusted to reflect Class I utilization*, but it is not necessary to establish such bases each year as was required under the law prevailing prior to 1965, as interpreted by the Department of Agriculture.

b. Beginning on line four (4) of page two (2), there is authority for *adjusting prices to producers seasonally* as a means of encouraging milk production during those times of the year when milk is normally in short supply and discouraging production during those times of the year when milk production is normally in excess. This seasonal adjustment is an *alternative to a base plan*. Similar plans are currently in operation in many orders, under the general authority in Sec. 8c(7) (D), but they are not specifically authorized by the Act; and we think it desirable to remove any possible legal doubt concerning them. The provisions of orders that would be authorized by clause (d) in S. 3432 would be *subject to representative voting by cooperatives for their producer members*.

(2) Clause (e) is a revision of clause (d) as contained in the 1965 amendment. It provides *permanent authority for the Class I base plan*. It differs from the 1965 law in the following respects:

a. *The representative period of time for establishing bases may be either a fixed period as provided by the 1965 law or it may be adjusted through the use of a moving average determined from deliveries over a period of time such as one, two, three, or five years.*

b. *Bases for producers may be subject to adjustment for failure to deliver base milk*. This would allow for the reallocation of unused bases among producers, both established producers and new producers in the process of earning a base.

c. *There is authority for establishment under an order of reasonable rules under which new producers could earn a base under which adjustments could be made to alleviate hardship and inequity. Provisions for new producers and hardship, however, would not be dependent upon market growth as provided by the 1965 amendments.*

The provisions are necessary so that old producers may share in market growth. There has been a great deal of criticism over the 1965 amendment because old producers could not benefit from market growth. Such criticism is easily understood when it is recalled that producers are spending millions of dollars per year to increase sales through advertising and education.

The provisions are necessary in order that new producers may, over time, acquire the same rights as a producer as those supplying the market at the time the base was first made effective. Without such provisions, there will be, over time, sufficient new producers without market rights to guarantee defeat in any referendum of any attempt to update the base plan through an amendment proceeding which would require approval of two-thirds of all producers.

The Class I base plan as provided by clause (e) would be subject to individual producer approval as in the 1965 amendment.

Mr. NORTON. We have in the statement requested you to consider some changes in the class I base program due to the interpretation that the Department has been putting on the present program, and after conversations with a good many people we have tried to explain it in a supplemental statement, and if it is not clear we would like to still discuss it with the staff to clear the points we have in mind.

The CHAIRMAN. Very well.

Mr. NORTON. And the second point that I would like to comment on is the advertising section of the bill. It is contained in S. 3433 that Senator McGovern introduced. We would hope that you would give serious consideration to including this in the omnibus bill. All of our people are in favor of this. It is their money that they would like to put into the promotion and advertising program, and we hope very much that you will consider that.

I thank you.

The CHAIRMAN. What about the rest of the bill?

Mr. NORTON. We are, generally, in favor of all of the rest of the bill, sir. We are not in favor, of course, of milk marketing quotas.

The CHAIRMAN. I want you to understand that all of the suggestions made by you, and other witnesses of course, will be carefully studied by our staff and also the Department of Agriculture, and if we need your services, why, we will call on you.

Mr. NORTON. Thank you, sir.

The CHAIRMAN. All right.

Is there anybody else who desires to be heard?

If not, the committee will stand in recess until 10 o'clock tomorrow morning, except that the committee as a whole will meet at 9:30 o'clock to consider H.R. 10673.

(Whereup, at 12:30 p.m., a recess was taken until 10 a.m., Tuesday, June 25, 1968.)

AGRICULTURAL ACT OF 1968

TUESDAY, JUNE 25, 1968

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

The committee met, pursuant to recess, at 10:15 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Jordan of North Carolina, McGovern, Byrd of Virginia, Hollings, Aiken, Young of North Dakota, Boggs, and Miller.

The CHAIRMAN. The committee will be in order.

This is a continuation of the hearings we started yesterday on an extension of the Agricultural Act of 1965.

We have as our first witness Mr. Shuman, president of the American Farm Bureau Federation.

Will you step forward, Mr. Shuman, please?

We will be pleased to hear from you now.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Mr. Chairman and members of the committee, we appreciate the opportunity to present our views on S. 3590, a bill to amend and extend the Food and Agriculture Act of 1965.

Frankly, we are amazed that this committee is seriously considering extending an act that has reduced the parity ratio to the lowest level in 34 years.

The current act does not expire until December 31, 1969—over 18 months from now. In January 1969, there will be a new President and a new Congress. They will want—and are entitled to—an opportunity to participate in decisions affecting future Government farm programs.

Action now to extend the Food and Agriculture Act of 1965 would seem to indicate a shocking lack of confidence in the new Congress to be elected in November. Why should the present Congress show such distrust of the people and the Congress they will elect?

There will be plenty of time to consider new legislation in 1969. While some actions with respect to the 1970 wheat crop will need to be taken in 1969, this does not present a serious problem. Major provisions of the present wheat program will remain in effect after the act of 1965 expires; however, continuation of this program would be subject to a producer referendum. No serious problems were encountered in the administration of the 1966 wheat program, although the

act of 1965 was not approved until November 3, 1965. In 1961, with a new Congress and a new administration, a new feed grain law was signed by the President on March 22, and the much more extensive Agricultural Act of 1961 was enacted on August 8.

With Congress having passed a 10-percent tax increase and a requirement that the President reduce budgeted expenditures \$6 billion in the next fiscal year, it is highly inappropriate to extend the 1965 act for 4 more years at a probable cost of more than \$3 billion per year. This makes the act of 1965 the most costly farm program mistake in history. It is costing taxpayers nearly \$9 million each day. Extension of this costly scheme would soak up approximately one-third of the recent increase in taxes, with little if any benefit to farmers.

On April 4, 1968, at hearings of this committee on extension of the 1965 act, we presented in great detail the reasons why we feel the act has failed. We also made some positive suggestions with regard to the type of legislation our members favor as a substitute for the current law. Our statement can be found beginning on page 136 of the hearings. We sincerely hope that committee members will review this testimony before taking any action.

In the summary of our April 4 statement, we made the following points.

- (1) Government supply-management has not worked.
- (2) Government-owned stocks are bad for farmers.
- (3) The operation of Government supply-management programs depends on political decisions.
- (4) These programs make farmers dependent on Government payments for a substantial part of their net income.
- (5) Government supply-management programs create pressure for international commodity agreements.

We believe that the Food and Agriculture Act of 1965 should not be extended because of its record of failure.

Farmers were squeezed off the land more rapidly in 1966 and 1967 than they were in 1964 and 1965. Almost 5 million farm people have moved off the farm since 1960.

The act of 1965 discriminates against the small farmer while it favors the big operators. Small farmers are hurt more by the recurring cuts in allotted acres than are the big operators who can use their huge Government payments to buy more fertilizer and equipment with which to step up yields as an offset against reduced acres.

The act of 1965 has failed to accomplish any of its stated objectives.

The farm parity ratio stood at 81 when the 1965 act became effective. Since then it has dropped steadily until now, when we are less than halfway through the third year of the 4-year program, it stands at 73. Even the adjusted parity ratio, which includes direct payments to farmers, is down 8 points. On both an adjusted and an unadjusted basis, the parity ratio is the lowest it has been since the depression year of 1934. Extending the act now for another 4 years would have the serious effect of locking farmers into this unsatisfactory situation until December 31, 1973. We can't believe this committee wants to assume that responsibility.

The act of 1965 has failed to adjust production to demand. Despite drastic cuts in acreage ordered by Secretary of Agriculture Orville Freeman for this year, current U.S. Department of Agriculture fore-

casts indicate that the 1968 harvest may be the largest on record for wheat, corn, and soybeans. Wheat prices are the lowest since 1942.

The act of 1965 must be held responsible for the near-disaster level of farm prices which is forcing hundreds of thousands of farmers to the wall. It was under the authority granted by the act of 1965 that the Secretary of Agriculture called for increased production in 1967 that brought forth the surplus that is pushing farm prices to lower and lower levels.

With one exception, the amendments to the act of 1965 proposed by S. 3590 are minor changes that do not materially change existing law. The current program has failed and its shortcomings cannot be corrected by minor amendments.

The major change in existing law is contained in title IX. As we understand this title, it is similar to title II of Senator Mondale's bill, S. 2973, except that its bargaining provisions would not extend to cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts and their products.

On page 152 of previously mentioned committee hearings, we indicated in a supplement to our April 4, 1968 testimony that we vigorously opposed the compulsory bargaining provisions of titles I and II of the Mondale bill. For the reasons submitted in this supplement to our testimony, we likewise are opposed to the provisions of title IX of S. 3590 which would permit the establishment of compulsory bargaining programs and production controls for commodities that are not now controlled.

Members of this committee surely realize that farmers are in a serious cost-price squeeze. Farm Bureau is dedicated to the objective of reducing this pressure through actions that will increase net farm income. Extension of the act of 1965 would not accomplish this objective. It is time for a change in farm programs—not more of the same.

Instead of continuing down the dead end road of Government supply-management, with acreage limitations, stockpiles to depress market prices, price fixing, and subsidies, farmers need a broad-based program to expand markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

We will be happy to cooperate with the committee in further studies of needed changes in existing law so that action can be expedited in 1969.

The CHAIRMAN. Thank you, Mr. Shuman.

Are there any questions, Senator Holland?

Senator HOLLAND. Yes.

Mr. Shuman, you spoke about the fact that we will have a new Congress in 1969. Already we know that there will be nine new faces in the Senate, do we not, six having refused to run?

Mr. SHUMAN. That is right.

Senator HOLLAND. And two have been eliminated in the primaries, one tragically has lost his life. The fact is that the number of changes in the Senate will probably be greatly more than any that have occurred following the recent elections; is that not true?

Mr. SHUMAN. According to some of the estimates, there is that possibility.

Senator HOLLAND. Even with the knowledge of the nine changes that are already here, that is clear?

Mr. SHUMAN. Yes.

Senator HOLLAND. The question is whether or not action needs to be taken now. It seems to me that is a very real question in this matter. You have pointed out in your statement that on at least two former occasions major actions were taken much after the time that would prevail if we took action in this Congress this year.

Mr. SHUMAN. That is correct.

Senator HOLLAND. And did you note any hardships or difficulties that resulted because of that later relative time for taking action?

Mr. SHUMAN. No; in fact, as far as we were able to observe the transition was such that there was not a real problem involved in these previous experiences. Actually, the additional experience with the problem should give the Congress a better opportunity to appraise it, for instance, to have the results the same as last year's cuts in production and to find out whether or not the supply-management worked in 1968. Certainly, it has not worked before. And, presumably, it will not work this year on the basis of the present estimates.

Senator HOLLAND. I recall that when you testified earlier in the year, you gave us a statement for the record of the total amount of contribution made to farm income, the net farm income, through Government payments. Are you able to give us that statement at this time or will you supply it for the record?

Mr. SHUMAN. I will be glad to supply it for the record.

I am not sure of the exact figures, but it is something like 25 percent total net farm income.

Senator HOLLAND. Something over \$3 billion?

Mr. SHUMAN. Yes.

Senator HOLLAND. Will you supply that for the record?

Mr. SHUMAN. Yes.

(The information follows:)

It was 21 percent in 1967 for all of agriculture.

In 1966 it was 27.4 percent for feed grains, 25.1 percent for wheat; 37 percent for cotton and 25.1 percent for wool.

Senator HOLLAND. With reference to your comments on title IX, as I understand it, you are not objecting to marketing agreements and marketing orders in general, but you are objecting to the proposed extension of it, so as to embrace within it controls like the acreage controls and the basic crops and the other compulsory arrangements voted by a majority of the producers that a certain commodity would make the uncontrolled crops under present law similar to the controlled crops that are covered by the control programs that affect all basics?

Mr. SHUMAN. Yes. In the past, we have supported existing marketing order legislation; we have been opposed to the authority for an imposition of nationwide marketing orders. We believe that the marketing order works best when it is in the smallest practical area of operations. We have been opposed to marketing orders which is a device to control production. We believe that the marketing order program has succeeded only to the extent that it has been limited to the improving of the quality of the marketing, the smoothing out of some of the difficulties in the marketing, of a crop rather than controlled production. And, so, we are strongly opposed to this title IX which provides

for compulsory marketing order programs to control the volume of production, and there is no question but what the farmers would be very strongly opposed to this. They have rejected compulsory controls everytime they have gotten the chance.

Senator HOLLAND. I note from your statement, you feel that the principal features in the proposed change, the marketing agreement and marketing act would be to allow a majority to try compulsory reductions of acreage or otherwise through the production of agriculture commodities. That is the burden of your complaint, is it not?

Mr. SHUMAN. Yes, sir. Voluntary control of production by marketing orders is not practical, and it would be highly resented by farmers today.

Senator HOLLAND. In the testimony yesterday, Secretary Freeman made it very plain that he did not regard the proposed changes in title IX of this bill as giving any incentive to nationwide agreements which, of course, would be possible under existing law. Taking that at face value, as I do, it would make it rather clear to me that the sole purpose of these proposed changes would be to allow the imposition of compulsory controls. It is that, that you object to?

Mr. SHUMAN. Absolutely.

Senator HOLLAND. And it is that which would be completely new?

Mr. SHUMAN. Yes.

Senator HOLLAND. And in its application to the marketing agreement-order structure?

Mr. SHUMAN. That is exactly true. As we understand the proposal here, it would be subjecting them to compulsion. I will not argue with the Secretary's appraisal of the nationwide application, but if we are going to have compulsory marketing orders, they must be nationwide in order to be effective. That is just a form of speech, perhaps. We are opposed to the use of marketing orders to control the volume of production on a compulsory basis.

Senator HOLLAND. I remember that the Secretary also stated that in his opinion this new concept would be particularly applicable to poultry production. Do you think that the poultry producers would welcome any such control?

Mr. SHUMAN. There has been a lot of discussion among poultry people about marketing orders. There are a few, of course, who always wanted to try to impose marketing orders, but most generally, after the discussion goes a little while, it becomes evident that the vast majority of the poultry producers do not want anything to do with it.

Senator HOLLAND. I notice that title IX excepts all of the basics—all of the price-support commodities including wheat, corn, grain sorghums, barley, oats, rye, soybeans, tobacco, peanuts, and their products. It does not include two other rather minor price supported commodities: honey and tung oil. Do you know any reason why they were not excluded?

Mr. SHUMAN. No, I do not. In fact, until I read the list, as we prepared this, I did not realize that they were.

Senator HOLLAND. It occurred to me that even the ambitious person who suggested this program had decided that they could not control the honey bees. Has that occurred to you?

Mr. SHUMAN. I have not been told that, but that is a good idea.

Senator HOLLAND. Thank you, Mr. Chairman. That is all.

Senator Aiken?

Senator AIKEN. I think that Mr. Shuman and Mr. Holland have pretty well covered the ground.

The CHAIRMAN. I had occasion to examine Mr. Shuman quite extensively on the 1965 act and I know what his answers would be, so I did not ask him any questions.

[Laughter.]

Mr. SHUMAN. We did it on a good basis.

Senator HOLLAND. I well recall that. And, incidentally, looking back at the performance on the 1965 act, I think that Mr. Shuman was more right than wrong at that time.

Senator AIKEN. I thought that the reference to poultry farmers and egg producers is a little bit academic. Where I come from, there are not many grassroot farmers who are in that business anymore.

Mr. SHUMAN. They have moved down to Senator Holland's territory.

Senator AIKEN. They have moved into higher levels of corporation production.

I have no further questions.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. I have no questions.

The CHAIRMAN. Senator Boggs?

Senator BOGGS. I have no questions.

The CHAIRMAN. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

Mr. Shuman, with respect to this section of the bill regarding bargaining, et cetera, there are a good many items that are excluded from that coverage. For instance, tung oil is omitted. Should not livestock be included in the list of exempted commodities?

Mr. SHUMAN. It would appear to me that these exclusions are largely price-supported commodities, so far as the field crops are concerned. I presume that is the basis on which they drew up the list of which livestock was not one. It was not price supported. It would seem to me to be a very serious matter to undertake to impose marketing orders on livestock in this country.

Senator MILLER. Well, I would think that, too. If we are going to have a list that excludes items from coverage in this marketing order procedure, I am thinking of national types of crops, would it not be proper to have livestock as well as corn and other products listed there, to be included in that exclusionary list?

Mr. SHUMAN. I think that so far the only success in marketing orders are associated with either products that are produced on a rather limited scale or where the marketing of the product is restricted—such as fresh milk, to a certain area. And when the attempt is made to move marketing areas into these large national produced products like livestock or the grains or anything else, it is almost certain to be in deep trouble. So, I personally agree that there should not be an attempt made to put livestock under a marketing order.

Senator MILLER. With respect to your point that farmers generally have not favored this market order approach to go beyond what it now covers, if they do not want it they are not going to get it, because they have a vote and two-thirds of the producers, anyhow, to get it. Would not that two-thirds vote be sufficient protection for the farmers?

Mr. SHUMAN. No, it has not been sufficient protection, Senator Miller, in the past, because, in the operation of the referendums, all kinds of coercive devices are used and they are built in many times. Many of the questions that could be will be raised as to how these referendums will be conducted or the alternatives. Suppose they are rejected? What kind of retaliation is going to be visited upon farmers if they turn it down? We have referendums and referendums and the only time that we ever had a referendum in agriculture where the farmer was not under a coercive threat or some kind of retaliation was in the referendum in 1963 on wheat, and they turned it down. The other referendums they passed, because the alternative spelled out in the law or by the announcement of the Secretary was such that, in effect, they were forced to vote in a certain way on the referendum. And so we are opposed to the referendums. Very seldom do you have a referendum that gives the real free choice.

Senator MILLER. If there should be a law expanding the standard marketing order approach to other crops, do you suppose that you could provide for the record language which although it might not be completely satisfactory would relieve this problem of coercion that you refer to?

Mr. SHUMAN. Well, we would be glad to endeavor to work with the committee. We have not thoroughly discussed any possible alternative language, but I presume that it could be set up. The fault of the referendum approach, of course, on any of these is that if it contemplates the replacement of some kind of a supply-management device for the market system—and this is the fault—this is why the act of 1965 has failed—the decision is made by the administrator and they were sincerely made—there is no question about that—the Secretary of Agriculture did not deliberately plan to make the mistake he made in 1967, but he made a mistake, and the decisions he made this year in increasing or decreasing acreage—it was no fault that technological improvements advanced more rapidly—the mistake is in the legislation which is the authority for the supply-management. It has never succeeded. It will never succeed. And if you bring something up for a referendum, I do not believe that a majority of the farmers are any better able than the Secretary of Agriculture in making a decision of this kind. The only place to make the decisions is in the marketplace.

Senator MILLER. Mr. Shuman, I remember a few years ago when I cosponsored a bill which I know the American Farm Bureau supported. It provided for a large land retirement program. I recall that the bill provided that at the beginning, at the time of the planting season, the Secretary of Agriculture would determine the quantity or the amount of acreage that should be retired. If we followed that approach, the Secretary could make a mistake all over again in determining the quantity of acreage to be retired, too; could he not?

Mr. SHUMAN. This is possible. However, the reason that the cropland retirement approach is far superior to the attempt to control specific crops, is that the farmer himself makes the decision as to what he is going to plant, based on his judgment of the market. Now, the cropland retirement approach will not reduce the reduction in a huge amount, but it will permit adjustment to changes in the market-places and it will facilitate these adjustments much more intelli-

gently than somebody trying to guess ahead on how many acres of wheat or how many bushels of wheat or corn or anything else should be had. It is just pure mathematics that you multiply the chances for error when you try to decide each crop, whereas if it is a simple cropland adjustment or a retiring program the pressure is taken off overall, and it seeks its level in the marketplace through price changes.

Senator MILLER. I think that this was brought out in your colloquy with Senator Holland, but I want to make clear in my own mind your position on the objection to using the marketing order approach on crops. The principal objection is section 906, relating to producer allotments; is it not?

Mr. SHUMAN. Yes. This is one of the important objections. The attempt to use marketing orders to control production, in our judgment, will destroy the marketing order idea. We have been able to use it successively under certain limited conditions, but one sure way to destroy it will be to try to use it in the way that it cannot possibly succeed.

Senator MILLER. What I am getting at, I guess, is whether or not it would be possible to have section 905 and knock out section 906?

Mr. SHUMAN. Well, I think that would defeat the purpose of the folks who are trying to figure a way to get strict compulsory controls. I think that would be it.

Senator MILLER. It would be doing that, but at the same time it would preserve the purpose of allowing some limited area type crops to come under the marketing order approach, without getting into the producer allotment part, as I see it.

Mr. SHUMAN. I think this would have that effect, but the real purpose of including this section in here is to impose compulsory controls.

Senator MILLER. You see, when this farmer bargaining concept was advanced during the hearings on the marketing order approach, I do not recall that there was any testimony given that it was the purpose of this study to enable the Secretary of Agriculture to get into producer allotments or acreage allotments and marketing quotas, and all of that. As I recall, the thrust of the testimony was to give certain groups of certain limited types of commodities an opportunity to have the marketing order approach. If that is, indeed, the purpose or the thrust of the testimony, then it would just seem to me that section 905 could be enacted without section 906.

Mr. SHUMAN. The next step, you would have to determine what the real purpose was, I think.

Senator MILLER. Yes. One other question—or two other questions.

One point that I have been making is this: In connection with the movement on this legislation now, I am advised by the director of the agriculture research division at Iowa State University that they are updating their review of various types of farm programs. As I recall, there are some 16 in number. As you know, they have an extensive research organization out there. They go out to other agricultural colleges, too, and they use computers in their analysis. But they are not going to be able to have this updated survey completed until the end of this summer or near the end of this summer. My point has been that we ought to wait and derive the benefit of this exhaustive research that they are doing and the various alternative types of programs—some mandatory, some voluntary, some limited voluntary.

I think, perhaps, you are familiar with what they are doing out there.

Do you think that point is well taken?

Mr. SHUMAN. Well, yes, I think so. Naturally, all of us in agriculture are interested in having the best possible amount of research. I have considerable question as to whether these sophisticated machines and their projections produce any information of great value in comparison between one Government program and another. In fact, what you get out of the projection is no better than the assumptions that you feed into the machine. It was demonstrated by some research, some provisions that have been widely publicized, that came out of Washington as well as Iowa State University. They are not worth the paper they are printed on, if their projection is made by somebody who wants to prove, as most of these folks have in the past—wants to prove something, and so they feed certain assumptions into the machine.

The best research on Government farm programs is the research of 2 million farmers in the last 35 years.

And the reason that we are recommending strongly that the Congress wait until next year is that some of the judgment of this research will not be in until a couple or 3 months from now. I do not have any hesitation to say here that the farmers of the United States, most of them, do not want this extension. They are sick and tired of this act of 1965.

I had a long-distance telephone call Sunday morning from a wheat farmer in southern Illinois who has 300 acres of wheat. He said: "What are you fellows going to do to try to convince Congress that this wheat program is killing us?"

And he is a participant in the program. And they are getting \$1.17 for wheat, and he knew what caused it; he knew about the domestic use tax, and he knew about the new exports tax. He was laying the blame on our shoulders, to some extent.

Of course, I tried to divert it. I said, "Who is your Congressman?"

The CHAIRMAN. Did you tell him about the 75-cent certificate that he was going to get so that his wheat would be \$1.92?

Mr. SHUMAN. He only gets that on part of his wheat, and it is also taken off of him on the marketplace which he said was \$1.17. That is all of the mathematics he was interested in.

The CHAIRMAN. Of course, I presume that this chap you talked to forget about the large crops that were grown in Europe which caused a lot of this trouble, as you know, or he ought to know and you ought to know. It was thought that the production abroad would not be as great as it was. That has been the cause of this.

Mr. SHUMAN. Mr. Chairman—

The CHAIRMAN. The point is, though—and I think the record will show—that the average price for wheat is—What? Is it \$1.82? The average price? It will be about \$1.87, which was testified to by the Secretary yesterday. That is in the record.

Mr. SHUMAN. That is perhaps so.

The CHAIRMAN. All this farmer did was to give the extra part of the wheat that is now being sold, but he forgets about the certificate altogether.

Mr. SHUMAN. I think that is natural.

The CHAIRMAN. Well, you do, too, because you forgot it yourself.

Mr. SHUMAN. On this matter of the European wheat production,

what caused the increase in subsidy payments in the Common Market? I asked the chief economist of the Common Market last summer. "Why are you folks insisting on it?" He said:

You cannot kid us. You are paying payments, you are making direct payments to the farmers; you are subsidizing the production of wheat in the United States, and the only way that our farmers can survive is that we equalize it.

So they have stimulated the wheat production, as the result of retaliation that they are exercising against our direct payment program. Once you start this route there is no end to it. Other people can subsidize production as well as we can.

Senator MILLER. Mr. Shuman, I would like to make the point that I thoroughly agree with you about the assumptions that go into the projections, but, in all fairness, I must say that my review of the Iowa State study indicates that they are quite willing and able to lay out their assumptions on the basis of which their projections are made, and I expect when they come out with their review at the end of the summer, those assumptions will be there for us to evaluate as well as their projections. I think that is the proper way to do it so that the assumptions are not hidden—they are out on the table where we can evaluate them. If we agree with them, fine, then the projections may be useful.

Mr. SHUMAN. I will have to agree that there is one difference between the projections made by Iowa State University in the past and those made down here in Washington, and by other people, that they, at least, laid out the assumptions although they could not always defend them. I met with them soon after they made the original studies, and there was some questions as to why they did not use certain other assumptions that they had not used, but, again, I say that the projection is no better than the assumption put it, and if you will let me put the assumptions in I will get one set of results, and if the Department puts them in, they will get another set of results. Machines are not dishonest. It is just what you are talking about.

Senator MILLER. One last question. I indicated yesterday my deep concern over the trend of our favorable balance of exports over imports of agriculture commodities. In 1967, I understand, on the basis of Government figures, that for the first time in 4 years our favorable balance fell below \$2 billion down to about \$1.9 billion. This of course includes commercial and freedom-from-hunger and Public Law 480 shipments. By the time you take the last two into account, if you are only looking at the commercial favorable balance, it is down to about \$300 million. This is a trend that has been occurring since 1964.

Can you tell us what impact, if any, the present farm program which is proposed to be continued now for 4 years has had on that?

Mr. SHUMAN. I am absolutely convinced that one of the major causes for retaliation that has been exercised against us by many countries, including the Common Market countries—the major cause of it is our domestic farm program. I have been told this repeatedly, and I have read it in publications that the justification for their stand, such as at the GATT sessions last year that were carried on for many, many months, was that we still insisted on making direct payments to producers of wheat, and feed grains and cotton in this country, and that this, in effect, was an export subsidy. It subsidizes the production at a low cost, and then our products, they say, are

dumped on the world market. They retaliate with variable duties, with a premium or a bonus or a subsidy of one form or another. I think our farm programs must take a large responsibility for the decline of export sales of farm products from this country.

Senator MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman. I want to say that I share many of the apprehensions and doubts expressed by Mr. Shuman and by many of the individual members of the Farm Bureau. After yesterday's testimony, I became convinced that I would not cast my vote for a 4-year extension of this program. It does not seem sensible or logical to me to extend this program in 1968 with its many disadvantages as well as benefits until January 1, 1974. I have been inclined to go along with a 1-year extension, but I am more convinced today than I have been in the past that it would be unwise to extend this program for 4 years.

Mr. SHUMAN. Might I suggest that even a 1-year extension is unnecessary with the amount of time there will be for the new Congress to act, and this 1 more year of this act is going to prove disastrous for many, many farmers where they are concerned, because this act is a tragic mistake.

Senator BYRD. Thank you.

The CHAIRMAN. Senator Hollings?

Senator HOLLINGS. Do you approve of the Presidential Executive order as to import quotas on dairy products?

Mr. SHUMAN. Yes, sir. As early as last February, I think it was, we urged that the President act under his authority to limit the imports because of the use of various subterfuges, the development of new products, nullifying the intent of the legislation, and we were actually being the dumping ground for certain dairy products. The more recent action is to expand it to cover additional products.

Senator HOLLINGS. And the American Farm Bureau approved of the import quotas as a means to control this?

Mr. SHUMAN. We have supported the provisions in the legislation to provide for escape procedures when there is evidence that any segment of our industry is being unduly hurt. We have opposed separate legislation to impose controls on the ground that the legislative route is unnecessary and that really invites retaliation, whereas, under the authority that the President, has now he can act on these rather glaring cases and give us the kind of protection that we have to have, rather than seeing our market destroyed. We are not for blanket imposition of quotas.

Senator HOLLINGS. But the President, when he does act, he acts in response to legislation, does he not?

Mr. SHUMAN. He acts under the authority that has been given him for this action and also as the result of investigations, and we feel that if Congress acts to impose blanket quotas, in the face of the changing picture, so far as trade is concerned, it does not lend itself to flexibility, it makes it too inflexible. We think that the present authority that the President has is sufficient. We think that the imposition of a quota on the import of beef proved not to be an effective action. There were too many loopholes. There have to be loopholes in legislation, I suppose,

but it would have been far better to have depended on the authority that the President has under existing legislation.

Senator HOLLINGS. By this, do you think that a simple quota is a salutary action and that the American Farm Bureau Federation approves it?

Mr. SHUMAN. We approve of the action of the President in this dairy case.

Senator HOLLINGS. And yet, that was before the Tariff Commission had made a report on it.

Mr. SHUMAN. There was an investigation in March or April, was there not? As to the current action, there was no further investigation on it.

Senator HOLLINGS. That is right. The Tariff Commission had not made its report, and yet you approved of the Executive action.

Mr. SHUMAN. I say, it was taken without our request. I do not condone the idea of bypassing the Tariff Commission and the legislation which calls for an investigation. It could have certainly been a supplemental investigation that could have been made.

Senator HOLLINGS. What about the retaliation that you were referring to in respect to the domestic farm products?

You said that it was used by the Common countries. You felt it was due to the domestic farm policy; that the imposition of import quotas would invite retaliation?

Mr. SHUMAN. Yes, I do. And to some extent, this would occur with the imposition of the quota on certain dairy products. However, the action of the President can be modified at any time if there is a change in the situation. And, furthermore, it is not quite as decisive as it is where we are stimulating production by direct payments to farmers who produce wheat and corn and cotton. The direct payments stimulate increased production. I do not think that the imposition of quotas on certain kinds of dairy products have the same stimulating effect on the production of dairy products. And in that case, we are not selling very much dairy products in the world market. We sell some dry skim milk products, but we do not sell the huge quantities as we do in the case of wheat and other products.

Senator HOLLINGS. You ended up your discussion with the statement:

Instead of continuing down the dead-end road of Government supply-management—with acreage limitations, stockpiles to depress market prices, price fixing, and subsidies—farmers need a broad-base program to expend markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

Do you have anything on that?

Mr. SHUMAN. We do. We have gone into some detail on that in the previous testimony before this committee in the early spring. You can find it beginning on page 136 of the hearings of April 3-24, 1968. This is just a brief outline of that statement. One of our important planks in our program is to eliminate the authority of the Secretary of Agriculture to use the supplies which are accumulated and which he will accumulate under the programs of the act of 1965 to depress farm prices by dumping them on the market. We would place a restriction on the use of these commodities being placed on the domestic market.

The second plank in their program is to increase the export markets, to aggressively work for increased opportunity for exports. And we favor the elimination of the direct payments to farmers. When we take

this action we can go, honestly, to the negotiating table and say that "We have eliminated these export subsidy type of payments to farmers and now it is time for you to come down."

Another plank in our program is that the cropland retirement program, without reference to the individual crops, would take out a considerable acreage of land and reduce the pressures for increased production.

Another plank is that we would propose that in order to eliminate the flow of commodities into the Commodity Credit Corporation, instead of the nonrecourse loan, in order to help farmers we would be in favor of having a recourse type of loan.

There are some other points, but this is an outline of the proposals we have made.

Senator HOLLINGS. Since we are having these hearings, and I am a newcomer to agriculture, I would like to have in black and white an answer to this: If you were the Secretary of Agriculture or a Senator and you were going to enact the Farm Act, I would like to have in black and white what you would vote for—what action you would propose. Would you do that for me?

Mr. SHUMAN. I will be glad to provide our recommendations. What I would recommend would be the Farm Bureau policy we have it pretty well spelled out.

Senator HOLLINGS. I am trying to get to that. Just a broad, basic program, and you want to expand the markets. I am not talking about that. I am talking about the plan, exactly how you would do it.

Mr. SHUMAN. We have introduced into the Congress, by several members of the Congress, specific bills, and I will be glad to provide you this information. You will find detailed explanation of our proposed programs beginning on page 147 of the earlier mentioned hearings.

Senator HOLLINGS. Encompassing an overall agriculture act similar to this one passed in 1965?

Mr. SHUMAN. Yes; it would involve the changes that we would make.

Senator HOLLINGS. Thank you.

The CHAIRMAN. The program, in essence, is, of course, to have the farmers agree to leave certain acreage idle, the government having to pay for that, and to let the farmers decide what they desire. They are to be the judges of it. That is, in essence, the difference between what we now have and what Mr. Shuman is suggesting.

Mr. SHUMAN. There are some other important differences.

The CHAIRMAN. That is the main thing.

Mr. SHUMAN. That is one of them.

The CHAIRMAN. That is the main thing.

Mr. SHUMAN. Well, I would not agree that it is the main thing. The main thing that we do in our bills is to eliminate the authority of the Secretary of Agriculture to manage the prices and the acreage.

The CHAIRMAN. In other words, let the farmers plant what they desire to plant and to depend on the marketplace for what they receive for their commodities.

Mr. SHUMAN. And to eliminate the subsidies.

The CHAIRMAN. That is the difference.

Senator BYRD. Could I ask just one more question?

The CHAIRMAN. Surely.

Senator BYRD. In your judgment, is the present farm program more expensive to the taxpayer than it needs to be?

Mr. SHUMAN. Senator Byrd, I suppose that if you would make the question whether it is more expensive to the taxpayer because of the administration, I would not know, but it is more expensive than there needs to be as compared to some alternative farm programs; yes.

Senator BYRD. It is more expensive than what the Farm Bureau recommends?

Mr. SHUMAN. Oh, yes. The recommendations that we would make would reduce materially the cost to the taxpayers.

Senator BYRD. Thank you.

The CHAIRMAN. Are there any further questions?

If not, the next witness is Mr. Dunkelberger.

STATEMENT OF EDWARD DUNKELBERGER, ON BEHALF OF THE NATIONAL CANNERS ASSOCIATION

Mr. DUNKELBERGER. Mr. Chairman and members of the committee, my name is Edward Dunkelberger. I am a member of the firm of Covington and Burling and am appearing today on behalf of the National Canners Association—a nonprofit trade association whose members pack approximately 85 percent of the entire national production of canned fish, fruits, vegetables, juices, specialties and meat. We very much appreciate this opportunity to appear today to present the views of the canning industry on title IX of S. 3590, which is essentially the same as title II of S. 2973, and which would enact a number of amendments to the Agricultural Marketing Agreement Act of 1937.

The canning industry and the growers who produce canning crops have for many years recognized their mutuality of interest, for quite obviously each would be helpless without the other. Planting, cultivating, and harvesting the fruits and vegetables, transporting highly perishable raw commodities to nearby processing facilities for canning, and labeling, storing and shipping the finished canned product to markets throughout the country and the world is a continuous process that cannot realistically be broken into discrete segments or divided into conflicting interests. The close degree of cooperation that has long existed between growers and canners of fruits and vegetables is ample evidence of their vital interdependence.

As canned food production and per capita consumption have increased from year to year, growers have devoted more and more acreage to canning crops to meet this rising demand at a time when Federal subsidies and other Government programs have rewarded farmers for growing, or not growing, many basic commodities and other farm crops. Farmers have continued to commit their acreage to the production of unregulated annual and perennial canning commodities, and they give every indication that they will do so for years to come.

At this point, Mr. Chairman, I would like to take the liberty of introducing a point that is not in our prepared testimony. It will take just a minute. The references to the free market system and the prediction that these crops would be continued to be grown by farmers, young and old, is perhaps an appropriate place for us to mention the 14-year-old program of the National Canners Association and the National Junior Horticultural Association, which sponsor a contest among young people between the ages of 14 and 16 in one group and

between the ages of 17 and 21 in another. I would like, if I may, to introduce for the record a brief description of the National Canning Crops Contest, and a listing of the winners of those contests for 1955-67, which indicates the State they grew the commodity in, the total acres they grew, the yield per acre (which you will see, is, in many instances, quite a remarkable yield) and the net profit. They were operating under very carefully prescribed bookkeeping and accounting principles. The winners are given awards at the National Cannery Association spring meeting. In each instance, the winner was one of many outstanding participants.

As a followup, we contacted the winners in 1955 through 1967 and found out what they are doing now. We were delighted to find out that virtually in every case, with one or two exceptions because of unusual conditions, they have stayed in farming. They have continued in many instances to raise canning crops and to stay on the family farm. We think this contest is an indication of how canning crops can be raised profitably and how our industry encourages young farmers.

We would like those introduced into the record.

The CHAIRMAN. Without objection, that may be done.
(The documents referred to follow:)

NATIONAL CANNING CROPS CONTEST FACT SHEET

HISTORY

The National Canning Crops Contest has been in existence for 14 years. The annual competition is co-sponsored by the National Junior Horticultural Association and the National Cannery Association.

PURPOSE

Encourage young people to develop horticultural techniques and skills in the progressively complex field of agriculture. Provide practical competition offering experience in the production, harvesting, handling, marketing, and use of the canning crops. Emphasize the key role of the grower in the canning industry and in the nation's economy. Convince youth there are many career opportunities in the food industry that must be filled to meet the challenges of the future.

ROLE OF NJHA

Organize and administer contest procedures. Provide contest awards through the NJHA Foundation and its Board of Trustees which consists of less than 20 outstanding representatives from private and public institutions.

ROLE OF NCA

Provide advisory and financial assistance to NJHA. Promote and publicize the contest. Honor the national champion at the Association's spring Board of Directors meeting in Washington, D.C.

TWO SECTIONS

- (1) Junior section—ages 14 through 16. (2) Senior section—ages 17 through 21.

ELIGIBILITY

Contestants must be members of NJHA, file a contest enrollment card, obtain a project advisor, raise a crop, keep a record of all methods used and costs involved, sell the crop to a canner, file a project standard report form with the state NJHA chairman.

BASIS OF AWARDS

Skill in production of a canning crop in relation to growing conditions; objective reflected in a scientific analysis and evaluation of crop progress; farm and

management techniques utilized from planting to sale of the crop; school and community activities.

AWARDS

National (one winner).—\$100.00, purple rosette ribbon.

Regional (four winners).—NJHA blazer, gold wrist watch, gold NJHA pin, blue rosette ribbon.

State.—Silver NJHA pins and blue ribbons to the top two winners; red ribbons to the third, fourth and fifth place winners. Local associations and organizations in the food field, canners in particular, offer awards such as plaques, expense-paid trips to the annual NJHA convention, and scholarships.

(NOTE.—Junior section awards are not the same as those listed above, but winners do receive plaques, NJHA pins and ribbons. Winners in this section are not eliminated from further participation in the Senior section.)

WHAT THE CANNING CROPS CONTEST CHAMPIONS ARE DOING NOW

1955: *William Rockefeller*, Phelps, New York; partnership with father on family farm; five children; on looking back, father considers CCC a significant part of William's decision to continue farming.

1956: *Gary Bishop*, Mt. Blanchard, Ohio; Farms on family farm—partnership; part-time work in aircraft plant.

1957: *James T. Wormley*, Rural Route 1, Oswego, Illinois; stationed in D.C.; First Lt.; took undergrad degree in agriculture from University of Illinois; took MBA from Stanford; is a CPA; before going into service worked for Deere & Co. in Moline; very definitely has no problems for jobs in future; firm in agribusiness can't fill positions.

1958: *James Junion*, RFD 1, Casco, Wisconsin; out of agriculture because of health reasons.

1959: *Robert E. Green*, Rushville, New York; own and operate a dairy farm with brother; bought five-hundred acre farm from father.

1960: *Alvin W. String*, Woodstown Road, Harrisonville, New Jersey; has remained on the farm and intends to remain in the future; has three children; still growing tomatoes and now owns dairy.

1961: *Donald E. Martin*, Chambersburg, Pennsylvania; fulltime on farm; family farm.

1962: *David B. Anderson*, Route 3, Hector, Minnesota; B.S. at S.D. State at Brookings; U. of Wisconsin—M.S. in Meat Science; going to study for Ph. D in U. of Wisconsin—meat science and biochemistry; hopes to come back to family farm.

1963: *Leonard E. Meyer*, RFD 4, Leipsic, Ohio; Ohio State University; Air Force; electronics; from a family farm; still considering what to do; parents want him.

1964: *John H. Kruepke*, Rural Route 1, Jackson, Wisconsin; University of Wisconsin; studying for Ph. D in Horticulture (Botany).

1965: *E. Bruce Jones*, Fostertown Road, Medford, New Jersey; pre-law student; going into senior year; after law school, his parents hope he will help manage the family farm.

1966: *Ralph J. Hemminger*, Rural Route 2, Geneva, New York; Cornell University; Agriculture School; Hopes to return to family farm.

1967: *Tom Rigel*, Rural Route 4, Leipsic, Ohio; National School of Chiropractic in Lombard, Illinois; hopes to help manage family farm.

Year	Name	State	Commodity	Total acres	Yield per acre	Net profit
1955	William Rockefeller	New York	Beets	2	20 tons	\$1,020.68
1956	Gary M. Bishop	Ohio	Tomatoes	5	18.4 tons	1,387.21
1957	James T. Wormley	Illinois	do	2	22.7 tons	423.87
1958	James J. Junion	Wisconsin	Green peas	12.5	3,811 pounds	539.02
1959	Robert B. Green	New York	Beets	14	11.5 tons	1,123.34
1960	Alvin W. String, Jr.	New Jersey	Tomatoes	9	24.17 tons	2,333.10
1961	Donald E. Martin	Pennsylvania	do	2	23.57 tons	592.09
1962	David B. Anderson	Minnesota	Sweet corn	10	9.4 tons	300.00
1963	Leonard E. Meyer	Ohio	Tomatoes	2.26	35.5 tons	530.71
1964	John Kruepke	Wisconsin	Beets	5	11.89 tons	356.50
1965	E. Bruce Jones	New Jersey	Tomatoes	5	13.6 tons	1,612.39
1966	Ralph James Hemminger	New York	Beets	4.7	17.76 tons	896.47
1967	Thomas E. Rigel	Ohio	Tomatoes	8.2	19.4 tons	1,577.75

Mr. DUNKELBERGER. We believe this record is evidence that the best long-term program for that segment of agriculture which is devoted to the raising and processing of canning crops is the system of individual competition, contract farming, and effective cooperation between canners and growers. We wish to emphasize that this is a positive program which has worked in the past, and which we feel will continue to work in the future.

The National Canners Association accordingly opposes title IX of S. 3590, which would amend the Agricultural Marketing Agreement Act of 1937 to authorize Federal regulation and control in the production of and bargaining for canned crops.

First, these amendments would provide a means for authorizing comprehensive supply controls to be applicable through marketing order machinery to all canning crops. Second, title IX would write into the act authorization for compulsory collective bargaining for price and other terms in the purchase and sale of canning crops.

Turning first to those provisions of title IX that would in effect eliminate the general canning crops exemption, section 901 of the bill would amend section 8c(2) of the act to provide that any agricultural commodity—including fruits and vegetables for canning and freezing—may be made eligible for regulation under a marketing order, without regard to the exemptions and limitations in other provisions of 8c(2), if the majority of the producers of the commodity indicate their approval of such eligibility in a referendum conducted by the Secretary of Agriculture.

The effect of such approval by a simple majority of the farmers voting in the referendum would be to authorize a wide range of controls for the commodity in question, including restrictions on the quantity and grades of the commodity that processors could purchase from each grower. Both the determination to adopt a marketing order for a canning crop and the year-to-year decisions to impose specific limitations upon the purchase of the commodity would be made on the basis of grower approval, without reference to the views of the canners who would be responsible for processing the crop and marketing the finished product. To be sure, canners would be permitted to express their views, but it would be the growers and the Secretary who would have the sole right to make the decisions.

Documented studies have established that marketing order supply controls have not proved beneficial in the long run for growers of canning crops. Such controls have aggravated, rather than solved, problems of chronic oversupply. They have not provided improved returns to individual growers, and they have undoubtedly failed to meet the expectations of their proponents.

If artificial supply controls have the short-run effect of raising somewhat raw product prices, experience has shown that new growers are encouraged to plant the commodity and existing growers expand their acreage. Thus, at a time when higher prices dampen consumer demand and turn housewives to substitute products, production of the commodity increases, and a persistent oversupply problem is created. The total revenue from the product must not only be divided among a larger number of growers, but must also be diminished by the cost of the administration of the order.

Accordingly, we continue to believe that such attempts to assure long-term profitability by artificial supply restrictions are doomed to failure. We are thus opposed to any amendments to the Agricultural Marketing Agreement Act that would repeal, or provide a technique for repealing, the longstanding general exemption for fruits and vegetables for canning and freezing.

Although we question that long-term benefits can be realized for growers of canning crops through supply control programs, the National Cannery Association is not opposed to all so-called marketing order programs. For example, we are not opposed to all grower-financed Federal programs for promoting and advertising particular commodities, such as that enacted 2 years ago for cotton. We believe that processor funds can be most efficiently spent in advertising and promoting the product of each company, but we would not oppose legislation providing for the assessment of growers—by a checkoff, if necessary—to finance commodity promotion programs.

Nor are we opposed to appropriate legislation authorizing industry programs for raw product research and reasonable raw product quality standards for the purpose of eliminating unsuitable raw materials, if processors are afforded an equal voice and vote in the formulation, adoption, and administration of the programs. Many people in our industry believe minimum raw product standards, which might include provision for third-party grading, may be an effective means to eliminate unsuitable raw material and to upgrade the product, if such quality improvement programs are not used as a means of supply control.

In addition, our industry has pledged its willingness to consider the authorization of supply controls for individual perennial canning crops if growers and processors believe that short-term difficulties may be alleviated in this manner. But such supply controls for perennial crops should be authorized by Congress only on an individual basis, and only if processors are given an equal voice and vote in the formulation, adoption, and administration of such a program. Under no circumstances should any controls apply to the commodity after the canner has taken possession and become responsible for payment.

The second major innovation that would be introduced by title IX of S. 3590 would be to enable growers of a commodity to impose compulsory collective bargaining on all growers and processors of the commodity. This proposal is apparently based on the assumption that growers are in an inferior bargaining position in their negotiations with processors, and that these growers have thus been unable to obtain a fair return for their crops.

But the comparative bargaining power of growers and processors depends in any particular instance on a number of factors, including:

The markets for and perishability of the crop;

The availability to growers of alternative crops or other uses for their land;

The extent to which bargaining takes place prior to planting of harvest;

The relative number of growers and buyers within the production area;

The efficiency and productivity of the individual grower;

The need for processors to obtain sufficient raw product to meet production commitments; and

The extent to which growers feel it is desirable to take advantage of the antitrust exemption granted by the Capper-Volstead Act to bargain collectively for the sale of their production.

Any discussions of farmer bargaining power should begin with the Capper-Volstead Act, under which growers may join together to form agricultural cooperative associations and to process or sell their production exempt from the Sherman Act's prohibition against such collective action. Unlike other commercial enterprises, members of an agricultural bargaining association may agree in advance on the price they will charge to purchasers of their crops, and may delegate to a common marketing agent—the bargaining association—the exclusive right to negotiate for the sale of their production.

Canners and other purchasers of farm commodities are of course fully subject to the Sherman Act, which prohibits joint bargaining or buying activities. There can thus be no question that farmers have had for many years the legal capability to correct any imbalance they feel may exist in bargaining power by organizing voluntary producer associations and enlisting as many of the growers in the production area as wish to join.

The National Canners Association fully recognizes this important right of growers to join together for bargaining purposes. Many NCA members of all sizes deal with agricultural bargaining associations for the purchase of a variety of canning crops.

On the other hand, some canners believe it is to their interest, as well as to the interest of their growers, to maintain the individual canner-grower relationship that has enabled them to meet the increasing demand for high quality canned fruits and vegetables at a reasonable price, with a fair return to the grower.

For this reason, we must emphasize that the question of whether a company chooses to purchase its raw products by means of negotiations with individual growers, or by means of collective bargaining with an agricultural association, has been—and will remain—a question of individual company policy on which this association takes no position. In the same way, each grower must remain free to decide for himself whether he wishes to deal independently with canners and other purchasers, or to bargain collectively through a joint marketing agent.

Although a large number of growers of canning crops have named an association as their bargaining representative, many growers have apparently concluded that in view of the profit they receive from canning crops and their close working relationship with one or more canners, they have nothing to gain from joining an association and surrendering their right of individual negotiation with canners for the sale of their crops.

As this committee well knows, several farmer organizations have charged in recent years that processors have engaged in discriminatory and coercive practices against growers who have joined or who wish to join bargaining associations, thereby denying the right of growers to take advantage of the Capper-Volstead exemption for grower collective action. In testifying on S. 109—a bill proposed by Senator Aiken and others to prevent such alleged discrimination and coercion—the National Canners Association emphasized that it would not oppose the bill if it were modified to meet reasonable objections to some of its provisions.

This committee subsequently reported out a revised and widely supported version, and only recently both the Senate and House completed action on the bill in substantially that form. In our view S. 109 as enacted should serve as further assurance that freedom of choice and action will and should be preserved in the purchase and sale of farm commodities for processing. This association firmly believes that the introduction of private or government compulsion into the bargaining process would be contrary to the interests of growers, processors, and the consuming public.

We have never countenanced private coercion from any source to deny the right of growers to make their own choice for individual or collective bargaining. And we feel just as strongly that such coercion should not be imposed by the enactment of legislation that would compel collective bargaining and force all growers and processors to accept the prices and conditions agreed upon by industry bargaining representatives.

For this reason, we strongly oppose those provisions of title IX of S. 3590 that would compel all growers and handlers to abide by the price, or other terms established in negotiations, between an elected producer committee and handlers or groups of handlers. This compulsory bargaining procedure would totally eliminate competition, individual initiative, and independence in bargaining for the purchase and sale of canning crops.

Industrywide price-fixing negotiations for each agricultural commodity could very well disrupt the effective allocation of national resources now achieved through a balance of supply and demand and the sensitivity of prices to varying consumer tastes and preferences. Almost certainly the interests of consumers would be sacrificed for those of growers, and perhaps processors. This fact is made particularly clear in those provisions of the bill under which the Secretary would be empowered to disregard parity as the upper limit to the price that a commodity subject to a marketing order may reach before the order must be terminated.

A basic purpose of the present act is to bring about marketing conditions that will result in parity prices to farmers. But in order to protect the interest of the consumer, no action may be taken under an order which has the purpose or effect of maintaining prices above parity. This basic protection for consumers would be eliminated by the bill, for the Secretary would be able to specify a price above parity as the upper permissible limit for commodities subject to a marketing order containing provisions for compulsory collective bargaining. Quite clearly his specification of such a price could have a persuasive, if not a controlling effect on the producer bargaining committee, who would almost certainly attempt to insist on that price.

In conclusion, the National Canners Association believes that title IX of S. 3590 is not in the interest of growers, processors, or consumers. Within the past few months, Congress responded to the demands of farm organizations by enacting legislation designed to protect the rights of farmers to bargain collectively or individually. Nevertheless, many of these same organizations are now appealing for further farm bargaining legislation—legislation that would directly contradict the guarantee of individual freedom of choice provided in

S. 109. We earnestly request that this committee not recommend enactment of title IX of S. 3590. Thank you.

The CHAIRMAN. Have you any amendments to suggest to the bill, or are you against it in any form as presented?

Mr. DUNKELBERGER. We have no position on the first eight titles.

As for title IX as presently constructed—we do not see how it could be amended. We have suggested in our testimony, however, the type of legislation that we would not oppose if the growers of the particular commodities felt that certain types of Government programs could be beneficial to them.

The CHAIRMAN. Do you think that the act passed recently, which you described as being introduced by Senator Aiken, would improve the situation insofar as the growers are concerned in being able to obtain a better price for their commodities?

Mr. DUNKELBERGER. Mr. Chairman, that certainly was the testimony of the proponents at the time that they came before this committee. They expressed a dire need for the legislation. They said that it would provide important benefits to farmers and bargaining associations. We concluded that we would not oppose that legislation if they felt it was necessary and if it could be amended in some respects. An accommodation was worked out and the bill was passed. It has not yet even had a chance to operate. It does assure that the individual grower cannot be coerced or discriminated against if he decides to exercise his rights under the Capper-Volstead Act.

We feel that we should take the proponents at their word. That bill should be effective if, in fact, such coercion and discrimination exists, and should solidify their rights under the Capper-Volstead Act. We feel that it certainly should be given an opportunity to operate, rather than 2 months later coming back with more bargaining legislation.

The CHAIRMAN. Of course, you understand that this could not go into effect unless two-thirds of the farmer-producers agreed to it, to appoint their own bargaining group.

Mr. DUNKELBERGER. Yes, sir; as I understand it, the commodities would be made eligible by a mere simple majority of the producers voting in a referendum, and then hearings would be held. The marketing order would be proposed, and the marketing order could not go into effect unless approved by either two-thirds of the growers voting in the referendum or by the growers of two-thirds of the volume of the commodity. It is an either/or proposition; either one the Secretary may take. We recognize that fact, but we share Mr. Shuman's reservation about the wisdom of permitting any economic segment collectively to decide on a planning basis how to control the production of the commodity or how to bargain collectively. We feel, at least for canning crops, that the free market system has worked very well.

The CHAIRMAN. That system, as I understand, is that the canners in the community would contract with farmers to grow so many acres of beans and corn, and then buy it at a set price.

Mr. DUNKELBERGER. The way the negotiations work at the present time is, if there is no bargaining association in the area, that the canners go out, the fieldmen go out, and contract with the growers as they have done in the past. They indicate a price that they feel is a fair price. If the individual grower does not like it he says so. After the fieldmen have made their tour, if they feel that the price they have named is

not high enough to induce enough growers to produce the volume that the canning company must have if it is to maintain its label and its place in the market, then they will name a higher price.

In the case of the annual crops, such as annual vegetables, in each year they negotiate prior to the planting season, which gives the grower an opportunity to measure his opportunity to grow canning crops as against his opportunity to devote his land to other uses, agricultural or otherwise. And we feel that the contract system, prior to planting, has worked well. It is equitable, and it gives the farmer the degree of freedom of choice that he would not have if the negotiations took place when the farmer drove up to the canner's dock with a perishable commodity in the back of the truck.

The CHAIRMAN. To what extent has the farmer any choice in fixing the price that he is to receive for beans or for any product that may be canned?

Mr. DUNKELBERGER. Well, I think that—

The CHAIRMAN. Is he not at the mercy of the canner?

Mr. DUNKELBERGER. He is at the mercy of the canner only in the sense that if the grower looks at the offer of the canner or other canners and says "I do not like the price," he can then devote his land to other uses. But the canner must have the commodity. The canner, in that sense, is at the mercy of the grower. If enough growers decide that they are not going to grow beans or tomatoes this year, then the canner is clearly the one who will suffer. He cannot maintain his markets, he cannot maintain any profits whatever without the line of vegetables that he has sold for years. The grower is not in that sense helpless at all. He can make a free choice at the time before he even plants the product.

So, surely, the canner may be the one who names the price originally, but if the grower does not like it he refuses to raise the commodity.

In addition, the grower is entirely free to join a bargaining association to give him some of the collective bargaining power that the proponents of bargaining claim can be realized. But our experience has been that in many commodities, tomatoes and many others, that there have been plenty of growers who have been eager to raise tomatoes for canning. They have been more than happy to raise tomatoes for the prices they have been realizing. If the price that a canner is offering for any other vegetable is not satisfactory, then the growers have gone to soybeans and other uses for their land.

The CHAIRMAN. Are there any further questions?

Senator HOLLAND?

Senator HOLLAND. Yes, sir.

I note in the last paragraph of your statement something I would like for you to clear up. You say that the Congress has passed in recent months legislation of the type that you mention. I think you are talking about S. 109?

Mr. DUNKELBERGER. Yes.

Senator HOLLAND. You do not say so in that particular sentence.

Mr. DUNKELBERGER. I am sorry.

Senator HOLLAND. You were talking about S. 109?

Mr. DUNKELBERGER. Yes. We should have indicated that. That is exactly what we were talking about, S. 109.

Senator HOLLAND. There are two other subjects that I would like to go into.

On page 3 of your statement, you say, and I quote :

Documented studies have established that marketing order supply controls have not proved beneficial in the long run for growers of canning crops.

What commodities are you talking about there?

Mr. DUNKELBERGER. Under the Federal act only six canning crops are eligible for marketing orders, and to my knowledge only one of those has been implemented, that for cranberries. Of course, that crop has the unusual situation of a processing association which has the great majority of the growers signed up. The studies that we referred to involved marketing orders under State authority in the State of California for cling peaches and asparagus. As the Senator well knows, cling peaches are grown virtually exclusively in California.

Senator HOLLAND. Yes. My understanding has been that the State marketing order has brought them a rather prosperous situation which is invidious to other fruits. Do you have a different opinion?

Mr. DUNKELBERGER. Very definitely, sir. The National Cannery Association, because of this experience with the cling peach order in California over a 30-year period, thought that it would be beneficial to obtain independent research on this, and they asked the Stanford Food Research Institute—Dr. Jamison and Dr. Brandt—to make a study of the cling peach order. Their study is printed in a volume that thick [indicating], which I would be happy to make available to you or to the committee, it being too burdensome to put into the record. It comes to an opposite conclusion.

The oversupply of cling peaches, which was the very problem that the growers of the commodity were concerned about, has been aggravated rather than solved.

I would like to read from this—this is a reprint, a summary of that study, which I will be glad to leave with the committee, in which it says, for example—excuse me, I cannot find the exact quote, but they conclude that a short-run increase in prices in cling peaches encouraged the growers to increase their plantings, and encouraged other growers to plant cling peaches, so that they had a greater supply of cling peaches than they had at the beginning. As for returns—he compares, for example, the cling peach record with that of Bartlett pears growing in the State, which have not been regulated by an order. He concludes that the pear producers have fared better than the cling peach producers.

Senator HOLLAND. Of course, the pear producers are competing with the industry in other States whereas the cling peach is certainly not. Virtually, all of the cling peaches are produced in California.

Mr. DUNKELBERGER. And you would think that would redound to the benefit of those who are in a position to control their market.

The California pear producers have to worry about the competition from Oregon and Washington, and also the competition from various other fruits.

Senator HOLLAND. Are you saying that the cling peach producers have abandoned their State order?

Mr. DUNKELBERGER. They have not done so. They have the great problem of oversupply.

Senator HOLLAND. My understanding is that they are very happy about this program and that they will continue it. They feel that they have gotten great benefits from it. Do you differ from that?

Mr. DUNKELBERGER. All we can say is, looking at the record, we feel they have not benefited from it. They do have an oversupply problem, and if some explanation need be found for their continued support of it, I guess that it would be that they feel they need some means each year to put a damper on the production of cling peaches, so that they will not have all of the growers in the State producing cling peaches for canning.

Senator HOLLAND. It seems to be a provision for the disposition of surplus fruit. And they have very strongly adhered to that program, and they think it has been very profitable to them; do they not?

Mr. DUNKELBERGER. It is not my understanding that they believe it has been very profitable.

Senator HOLLAND. Why are they adhering to it then?

Mr. DUNKELBERGER. As I explained, I believe, I think because of the excess production capacity—because of the large number of cling peach trees. They feel that they must have it on a year-to-year basis; that is, to have some technique to have a green-drop or pulling trees to avoid the complete capacity coming into the market each year.

Senator HOLLAND. They do have under their marketing agreement, though, the machinery and facilities for reducing their crop, for doing away with their surplus, such as the green-drop and also pulling the trees?

Mr. DUNKELBERGER. Yes, sir.

Senator HOLLAND. They are adhering to the program.

Do you not think that the growers themselves are capable of judgment as to whether or not the program is good for them?

Mr. DUNKELBERGER. Well, Senator Holland, individual growers can arrive at their own conclusions. I think it is controversial.

Senator HOLLAND. They are continuing the program, and they have not paid much attention to the canner's findings by two learned scientists, that their program is not a good one.

Mr. DUNKELBERGER. As I explained, though, the feeling is, because of the problems that have been created, that they need some technique on a year-to-year basis to solve the problem that has not been solved in a long-term basis.

Senator HOLLAND. Do these two learned scientists who studied it wish to do away with that technique?

Mr. DUNKELBERGER. No; they do not. They look at the record. They conclude that it has not worked as well as it has for unregulated industry.

Senator HOLLAND. The two instances that you gave are the only ones that exist in this field, the cling peaches and cranberries? And in both instances, they have felt their efforts were worthwhile and they have continued them, have they not?

Mr. DUNKELBERGER. They have continued the cling peach order, as I have said, in order to try to solve the yearly oversupply problem.

The cranberry order is subject to special circumstances. There is an agricultural cooperative that represents—I do not know the figure—a very large percentage of those growers.

Senator HOLLAND. But the growers themselves, though, have been able to judge as to whether or not they have been benefited and they have continued the arrangement. Do you not think that they therefore continue to belong to that cooperative and they continue to carry out their system of controlled volume?

Mr. DUNKELBERGER. Certainly, for the last 3 or 4 years it has not controlled volume under the cranberry order. They are considering right now a provision to prevent oversupply coming into that area, but it has not been in existence for the last few years. And I am sure that the Senator is aware that the referendum on the marketing order for cherries for canning and freezing was, in fact, turned down by the growers of the commodity.

Senator HOLLAND. Well, of course, that is a commodity produced in several States, and it has been approved by a very large majority in some States and it has been voted down in other States, as I understand it. If you have different information, I will be glad to put it in the record. It is an illustration of the fact that these marketing agreements other than on a limited area basis are very hard to work out.

Mr. DUNKELBERGER. Senator Holland, I guess that you might conclude that the growers of grapefruit believe that marketing orders are not beneficial. Certainly, some years ago the act was amended to authorize marketing orders for grapefruit for canning and freezing.

Senator HOLLAND. It is my understanding that they have had better treatment from the canners since that act has been on the books [laughter]. Do you have any information that varies from that?

Mr. DUNKELBERGER. We have no information that the canners treated growers badly before that amendment.

Senator HOLLAND. Well, all I can say is that they were not paying the price for the production before, and we have not had that sort of situation since. [Laughter.]

I agree with you, in your opposition to title IX. I do not agree with you in all of the statements which you have made here, because I think that the growers in the last instance on every commodity are well able to decide for themselves whether the program is more to their interest—and I think that they are much more able to do it than a couple of scientists employed to find out, if they can, some solution that will please the people who are employing them. Apparently, that is what was done by these two scientists in the case of the cling peach industry.

But I agree with you in opposition to title IX. So far as I know, there has been no attempt in my own State, despite the fact that we have had various commodity agreements applicable to fruit and vegetable, to bring into play the control features that you have here, except in the case of the orange marketing agreement—the shipments by grades can be controlled from time to time. Do you know of any other exceptions?

Mr. DUNKELBERGER. I do not know of any for canning crops. In many fresh commodities, I think they use those provisions in that way.

Senator HOLLAND. All right. One more field that I would like to explore.

Why is it that so many of the canners are moving their canning operations down into Mexico, particularly for the canning of tomatoes, when that, obviously, brings into the market cheaper products which cannot be successfully competed against by American producers of tomatoes?

Mr. DUNKELBERGER. Senator Holland, I would have no insight into the individual decisions of canning companies.

Senator HOLLAND. You know they have moved down there?

Mr. DUNKELBERGER. I also know that many canners have not.

I also know that many canners have remained in this country and have some concern about the imports of tomato paste. You can recognize that it is a problem, an intraindustry problem that the association is in no position to express views on.

Senator HOLLAND. You will find yourself with a divided membership, some who have gone down there and some who have not.

Mr. DUNKELBERGER. If you asked some of them why they thought they had to go abroad to raise tomatoes, I guess that the answer would include in various degrees the doing away with the Mexican farm-labor program, the increased minimum wage, doing away with the exemption from minimum wage for agricultural workers, as well as the whole broad range of Government controls that do not apply in Mexico, Portugal, and Italy and that do apply in this country. I think that probably would be the main explanation.

Senator HOLLAND. I think you are right about that, and I think that this committee has not been a party—or any of the members of this committee—to those three facts mentioned. Contrarily, we have objected very strenuously to the importation of foreign labor at times of peak harvest and to the application of a minimum wage law provision to agricultural labor and to the other matters you mentioned.

Mr. DUNKELBERGER. We appreciate that very much, sir.

Senator HOLLAND. And you know that that is the case.

Mr. DUNKELBERGER. We certainly do.

Senator HOLLAND. Unfortunately, we do not constitute a majority of the Congress. This exemplifies the fact that more and more agriculture is getting to be a minority industry. And in this country when it seems to be everybody's desire to help the minority, we find very little of that attitude relative to the protection of the agricultural minority. We would like to feel that the canners were as much interested in that as we are.

Mr. DUNKELBERGER. Certainly, the degree of interest between the canner and the grower is closer than any other you can imagine.

Senator HOLLAND. Thank you very much.

Mr. DUNKELBERGER. Thank you, sir.

The CHAIRMAN. Senator Young?

Senator YOUNG. No questions.

The CHAIRMAN. Are there any questions, Senator Miller?

Senator MILLER. I would like to ask a couple of questions.

The CHAIRMAN. All right, go ahead.

Senator MILLER. You have outlined the method of the canners in signing up producers. You said that they sent out their fieldmen for this purpose and they tried to sign up the producers, and if they do not get enough farmers signed up then they would increase their price to get enough to sign up?

Mr. DUNKELBERGER. Yes.

Senator MILLER. Suppose that they need to sign up roughly 100 producers, and they go out and sign up 30 producers but that is all that they can sign up. Then, the decision is made that they had better increase their contract price so that they can go out and they are able to get the 70 additional producers signed up at the higher price. Do they extend the higher price to the first 30 producers they signed up?

Mr. DUNKELBERGER. It is my understanding that the price that the company determines is needed to obtain the adequate supply is extended to all growers. They are not bound, if a grower accepts the lower price, and if that is not sufficient it is my understanding that the grower gains the benefit of the higher price that the canner feels is necessary to get enough producers to produce the product.

Senator MILLER. So, really, in effect, he signs up a certain number with the understanding that if the canner is not able to get enough people signed up at that price and he has to raise the price in order to get enough to sign, then the canner will give him the higher price?

Mr. DUNKELBERGER. Yes, sir.

Senator MILLER. On page 2 of your statement, you state that the canners would be permitted to express their views, and that the Secretary would have the sole right to make the decision. Yet, on page 13 of the bill, there is this proviso: "That no such minimum price or prices or other terms and conditions shall become effective"—and the terms and conditions are set forth in the previous language—"unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers," et cetera.

Why would not that provision protect the canner?

Mr. DUNKELBERGER. Senator Miller, that provision applies just with respect to approving the price, terms and conditions agreed to by collective bargaining, which is a new feature of the bill. That section of our testimony on page 3 was discussing the supply and purchase restrictions that have been imposed and could be imposed under existing law. In the area of collective bargaining, which is an entirely new area, it is true that 50 percent of the handlers would have to approve the particular price, but that is the only provision.

Senator MILLER. It is more than price, Mr. Dunkelberger. The language of the bill says:

The minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may be acquired by handlers from producers or associations of producers.

Mr. DUNKELBERGER. But if 50 percent of the handlers do not vote to accept the results of the collective bargaining agreement, other provisions in the marketing order can be used, nevertheless, to direct the handlers as to how much and what grades of the commodity they can purchase from growers.

Senator MILLER. That includes "volume."

Mr. DUNKELBERGER. Those are the provisions that are reached as a result of the collective bargaining provision, and that would be only one part of the whole Marketing Agreement Act.

Senator MILLER. It is a pretty important one.

Mr. DUNKELBERGER. Certainly, it is. It is a very important one, but that is not necessary for the operation of the marketing order. Indeed, there has been marketing order legislation for 30 years. There have been marketing orders that have restricted the sale of the agriculture commodity. Bargaining is entirely new. If the collective bargaining agreement is not accepted by the handlers, all of the other marketing order provisions would remain in effect and could be imposed by the committee and the Secretary pursuant to the marketing order.

Senator MILLER. All of those other things, though, I mean, do not include the price.

Mr. DUNKELBERGER. They do not include the price, but—

Senator MILLER. They do not include the volume, do they?

Mr. DUNKELBERGER. Well, Senator Miller, they have included volume for many years.

Senator MILLER. This specifically talks about volume.

What I am getting at—maybe I can save a little time here. What I am getting at is: Is not this proviso a pretty good insurance policy for the canners if this legislation goes into effect?

Mr. DUNKELBERGER. The answer to that, No. 1, if the legislation is to go into effect, that is a very important proviso, but there are only two things wrong with it. No. 2, if handlers exercise the right and refuse to accept the results of the collective bargaining, then they would still be subject to the provisions of the marketing order which could allot the amount of the commodity or any grade, size, or quality, therefore, which each handler may purchase from the producers.

Senator MILLER. Now, you are talking about section 906, are you not?

Mr. DUNKELBERGER. No, sir; I am not talking about that which is in the bill. I am talking about section 608c(6) (B) of the act.

Senator MILLER. The section relating to producers is section 906 of this bill.

Mr. DUNKELBERGER. Yes, but under the present act—

Senator MILLER. I was going to ask you whether or not it would be feasible to have section 905 and knock out section 906?

Mr. DUNKELBERGER. I think it would be feasible, but, Senator Miller, I think that practically it would be a delusion. Section 906 does provide for producer allotments, but under the existing act as now written, handlers can be told how much they can purchase from each producer. The act does not operate on the producer. It does not tell the producer how much he can grow and sell.

Senator MILLER. I would suggest to you that if this is enacted, section 905, if it is enacted, it would supersede that portion of the present act that you are talking about, because this new section provides that minimum prices and so on, or the volume thereof that may be acquired by the handlers from the producers or associations of producers must be agreed to by 50 percent of the processors.

Mr. DUNKELBERGER. If the collective bargaining agreement is such that they reach a volume agreement, you may be right, it would displace the controls imposed by the act, but if the agreement were not accepted, the other provisions would be applicable, No. 1. And No. 2, there is no requirement that the collective bargaining provision be included in the order. It is just authorized but not required.

Senator MILLER. Thank you very much.

The CHAIRMAN. The committee will be in recess for a few minutes. We have to go vote.

(Recess.)

The CHAIRMAN. The committee will come to order.

We will next hear from Mr. House.

STATEMENT OF BILL HOUSE, PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION, CEDAR VALE, KANS.

Mr. HOUSE. Mr. Chairman, with your permission, I would like to speak to the bill before the committee extemporaneously, to some of the points that have been rather covered by other people, and I would to file my statement.

The CHAIRMAN. Have you a written statement?

Mr. HOUSE. Yes.

The CHAIRMAN. We will put your entire statement in the record at this point.

(The prepared statement of Mr. House follows:)

My name is Bill House. I am a cattle rancher from Cedar Vale, Kansas, and currently serve as President of the American National Cattlemen's Association, an affiliation of thousands of individual members, nearly 150 local and state cattlemen's organizations.

I am pleased to have this opportunity to present our views on S. 3590. There are several features of the bill that will bear directly and indirectly on the raising and feeding of beef cattle. However, I will not burden you with detailed analyses at this time. Our comments along this line are contained in the statement presented to the House Committee on Agriculture, April 23, 1968, a copy of which is in each Committee member's files on this subject. In essence, we said that farm programs can be harmful or helpful, particularly with grains, because the old cliché "cheap feed means cheap beef" is just as true today as it ever was.

I would like to briefly outline why the American National Cattlemen's Association is opposed to the inclusion of beef cattle in the provisions for marketing orders in this bill.

The beef cattle industry has problems of many kinds. The major problem, however, is to precisely and profitably balance supply with effective demand. This problem has been compounded many times with theoretical tinkering, bureaucratic bungling and our own reluctance to recognize that production must be geared to a known market, not what we would like it to be.

One of the major factors in confusing producers is the erratic pattern of meat imports. Meat imports are not the subject of this bill or hearing, but I stress this to emphasize the difficulties which might be encountered by administrators of a beef cattle marketing order if they know no more about the patterns and levels of meat imports than they have been able to predict in the past.

The accompanying graph illustrates the extremely unpredictable nature of imports even under the Meat Import Quota Act of 1964. That is why cattlemen are asking Congress through other legislation to make some changes in the Quota Act to help us better stabilize supply.

Another major problem is that of inaccurate projections concerning future demand. Many public and private agencies, for a variety of reasons, have projected demand at levels considerably above those prevailing today, or which are profitable now, with no apparent thought of the cost-price squeeze that makes further expansion of production extremely hazardous to the producer—and the fate of future supply.

The encouragement of expansion has been a "Judas Goat", leading many businesses, chambers of commerce, ranchers and farmers to believe that the "pot of gold" lies just over the already-crowded pasture. The wants of consumers, desires of supply industries and other zealous groups have not fully reckoned with the needs of individual producers who grasp any straw, including expansion, as a means of holding on until the promised paradise is reached.

To many have been encouraged to expand with the lure of being able to sell more, better, if only they would collectively bargain. When a calf is on the

ground it is too late, morally, economically and psychologically, to destroy it, "divert" it or divide it among the thousands of producers who have been deluded into thinking that collective bargaining or marketing orders will correct the total error in judgment about the total, effective demand.

As an industry, we *do not know* precisely the level of production necessary to meet a vibrant, positive demand at prices fair to consumers, the producer and all of those who must add value and movement to the item we produce—the live animal. Since 1951, there has been no test. Production always has been just "a little too heavy" for demand. Rarely have we approached a price level which would give us a positive answer as to just how badly consumers want and need our product as much as they would settle for alternatives. Meanwhile, our costs continue to rise, while the price we receive for beef cattle remains relatively static.

While stating that we do not know the optimum balance of supply with demand, we *do* know that for the future health of one of the nation's most important primary industries, our current level of production—about 108 pounds per capita—is too much! Perhaps an ideal level might be 95 or 100 pounds. We do not know, but we are studying it! If producers themselves do not know and make adjustments, no amount of collective bargaining from a position of surplus weakness will force processors, retailers or consumers to pay more.

One example of the producers' own efforts to establish the facts of demand—stripped of the political desirability of "cheap food" or the commercial supply or service industries' benefit from constant expansion—is our own complex of economic studies and marketing services.

Under the general name of "GUIDELINES", we have undertaken serious, independent studies of the extent of the beef market, supply and efficiency factors and many other phases of when and why we put the bull with the cow, or whether we keep it away. We are embarked on a vast educational program on the basics of marketing in order that hundreds of thousands of cattlemen can make independent judgments best suiting their circumstances but not harming the total effort.

We have seen some significant results in recent months. The excessive tonnage being produced—in anticipation of that rosy promise of increased demand—has been whittled back. Prices for live cattle modestly have inched upwards. And, more important, thousands of stockmen realize that they, individually, can make adjustments and cope with the problem.

A new venture bears attention. A vast electronic network is being set up between cattle feedlots across the nation and ANCA's headquarters in Denver. Each evening each lot will report its sales, prices, replacements and other vital data in anticipating short and long-range supply. The information will be fed into computers, with the result sped back to the feedlots within hours. This "CATTLE-FAX" program seeks to pinpoint the tremendous movements of cattle directly from feedlot to slaughter, a movement USDA and other market reporting services cannot do or have not done. Thus, given better information on what actually is happening, and given a target demand to shoot at, individual stockmen can better gear their breeding and marketing programs. This will help to avoid the traditional gluts and shortages which characterize an industry operating in every state with a production plant heavily dependent upon weather.

We do not suggest that "GUIDELINES" and "CATTLE-FAX" are the "only answer" to stockmen's needs, but they will serve as efficient tools in aiding cattlemen to make intelligent decisions and perform as well as they—millions of small, independent *businessmen*—should in supplying the nation's needs for beef and leather, as well as continuously producing a \$10 billion "crop" toward our gross national income.

To summarize: we feel our nation's farmers and ranchers can and will meet our national needs for beef. They will continue to contribute heavily to the economies and well-being of their communities, and they will provide a stability to the national economy. But only IF they can operate in the free market system, free of mandatory restraints, such as marketing orders AND if they are not encouraged or deluded into believing that "better selling" of a product already on hand is the answer. The answer lies in measuring the demand and producing only to it . . . not a pound more! And THEN, as efficiently as they know how, they sell it.

Thank you.

Mr. HOUSE. I would like to speak very informally, which will probably shorten the time necessary.

I represent the American National Cattlemen's Association with its affiliated subsidiaries.

One of the interesting things about the cattle industry in the United States is that it is in every one of the 50 States, and it is a material and economic factor in 35 States, so that it is widespread and it is diverse. We are asking that cattle not be included in title IX. This is our purpose for appearing.

The CHAIRMAN. You have a proponent, Senator Miller, who suggested that yesterday.

Mr. HOUSE. We presume that price-supported products were excluded and that it automatically left us in. We do not know whether it was intentional or unintentional, but we would like to be removed, and we would like to give you the reasons for it, and to stay close to the problem at hand.

In the first place, the American National Cattlemen's Association, themselves, have a program to try to tailor supply and demand real closely, and it entails three specific points.

The first is the import problem which has been helped by this Congress. It has been very sympathetic. I would like to directly make a statement on the import problem.

We had a bill in 1964—and at that time, the imports of beef—and primarily, as I say, the processing beef, which we produce a lot of in the United States and use a lot of, was the subject. Only about 9 percent, as high as 12 percent of the domestic production, and it came at a time when we had adequate supply in the United States, and it dropped the price of the fat steers to 18 cents a pound, and a lot of cows were not selling for more than 8 to 10 cents a pound. We feel that the bill did help us. It gave us a chance to correct our situation.

We gradually try to tailor our supply and demand, and under this it is running about 6 percent, and our only suggestion to the committee is to commend them for their support on that quota bill, to commend you definitely for assisting us in doing that, and to ask that you look with favor on the bill that is in the House and in the Senate now, to correct and clean up the bill only.

We have asked only for a few major items, as the beef industry.

We disagree directly with the people who say that it did not work, that it did not help materially. It will be more important as we approach our own voluntary tailoring of supply and demand in the United States, because we do not want a rush in any one quarter. We would like to have the bill changed and amended like the bill before you now, that you are well acquainted with, so that they cannot come in in one quarter with more beef than in another quarter. We would like to have the 10 percent override kicked out. We are very anxious to have the year 1963 included, because that was the year that they just literally dumped beef into this country from other countries. There is still a strong buildup in foreign countries, looking toward sending beef into this country, and this is an overall problem. It relates to beef specifically, because our beef market is good in the United States. It is open to the extent that the quotas are open.

The countries are building up a bigger supply, shooting it to the American market. They can do that because of their cost. I just came

back from Australia, and it is obvious that those folks are quite concerned about their market up here. What I find is that they are able to develop their country on the basis of the American market, to make huge profits by bulldozing the land and by the use of airplanes, and to put more country into the beef business.

At this point, the American National Cattlemen's Association has a program to cut back the tonnage of fed beef 5 percent in order to just get it on a cost basis—maybe cost-plus—just a little more, and, in turn, we have asked the cow men of the United States not to expand their herds for 4 years until we can see if we can get the thing on a real sound basis.

So, we would simply like the continuous support of this committee on the import quota bills.

We would like your support to clean it up and to get the intent of the Congress as it originally was into the new bill, so that we get some cutback and evening out. That is all that we ask of Congress.

In this case, we would like to be exempted from this.

We have two specific programs that are real interesting.

The first is the guidelines program that we are directing toward all cattlemen, both producers of cows and calves and feeders. It will be published once a month on a subscription basis, helping the cowman to plan how many cows he can keep with the cost of such within the United States. We are not looking at the world market—we are looking within the United States, because this is a big beef-eating country, and we have to live and pay our expenses within the United States.

The second thing we have is the cattle price program for the major feedlots in the United States where we are setting up IBM equipment for an information service, and a subsidiary organization under the Capper-Volstead Act, so that we are quite happy with the Capper-Volstead Act. And we think it should be utilized in this case. But we do not need the new legislation for us as a specific commodity, and we are going to set this up and feed the information in and out, hoping that our feeders, when they have cattle at the market, will have as good information as the packers and the chainstores who provide our market.

We are trying to even up the odds. We appreciate the fact that we can operate under the Capper-Volstead Act. We are quite anxious that the provisions of it continued to be made available to us.

We have discussed it with the Antitrust Division and have a letter on it from them, that we are within the act and are operating correctly. We hope that it works.

We realize we are out in left field in the cattle industry, trying to correct the market in the United States, and we may fail. Someday we may have to come back here and say:

Well, we just cannot control ourselves voluntarily, but we think, with your support on import quota bills, we can plan definitely what can come into the United States, that we can take care of ourselves.

There is one other problem that concerns us greatly, and that is the low price of grain at this point. In the past, it has been the history of the hog and cattle producers, that if they found cheaper grain it would take the cash farmer out of trouble and it would assume the trouble, themselves, and that they would wind up with a lower market

and too much supply, and we would hope to prevent that. We are quite anxious that the grain man in his own manner, and in the way that Congress sees fit, prospers.

In closing, I want to say a little about the general situation. I speak to the general farm bill, because I think that you gentlemen are going to be in session next year at least and another year worrying about the farm situation, because I think that it has deteriorated, and it has deteriorated partly from outside pressure, because we have transported and have exported out technology around the world. I can see it. They have adopted our methods in Australia. They are in a position to enter the world wheat market real heavily—in fact, as I remember, it is 250 million bushels that they sold for cash last year. That is reaching over what we have sold for cash. They are hitting the beef market real hard on what they can sell up here. They are competing with us on maize, selling it to Japan. They went to California and set up a program to grow cotton. They were importing cotton from here before. The Prime Minister of New Zealand, that is, the former Prime Minister, told me at lunch 2 years ago that they will be exporting cotton. "We have the same kind of land over here in a given area, and now we are in competition with you."

So, I think that you are going to find as a committee in the future that we are going to be faced with keeping a balance between American agriculture, American labor, and American industry. I do not know what you are going to do about the foreign thing, because I think you are in a critical situation.

One of the things that is interesting about keeping a balance comes up. I find it is not true that the studies in Iowa State University would take into consideration a reasonable return on land investment and other investments in personal property. I had lunch with the economist at Sidney University in connection with agriculture, and he tells me that he studied at Iowa State University. He said:

We have maintained a balance in Australia of prosperity between agriculture, industry and labor, because we figured in the net return that a man should have on his investment in agriculture.

He said:

Why your economists in the United States do not figure it, I do not know, but this is why all of your programs do not reflect the return; therefore, your agriculture is out of balance. You fellows are having a mortgage when our people are making money.

This was an interesting instruction to me, because I did not realize that. I hope that you will check it with your own university and see why they have failed, because he said "I studied there, I know what they are doing." This is our biggest problem.

To close, I have made a close study of 1940 to 1949, to see if we were progressing in this same manner, and I can say categorically that the position of American agriculture in relation to labor and industry is exactly the same; it has progressed the same, and in 1928 we are in exactly the same position that we are in 1968. We are talking about the same things.

The congressional side of our Government is trying to help us. The executive branch was more interested in cheap food; and industry always winds up on the side of cheap food and low processing mate-

rials. It just left Congress and agriculture to try to save its own self.

We appreciate your attention to the matter.

If there are any of these things that you would like to hear further about, all right.

I think those are the points that I want to make.

The CHAIRMAN. What other parts of the bill do you think you should mention, or do you agree to them—Do you think the bill ought to be extended?

Mr. HOUSE. This is our position as cattlemen. If, in your good judgment, you care to continue and feel that it will protect the grain growers and the people under it, we would say "Go ahead," because we know that agriculture is interrelated, and if the grain man fails, he tries to get in our business; and if the dairyman fails, he tries to get into our business; or if the hog man fails, he tries to get into our business. The whole thing is interrelated. We are not passing any judgment on it. We are saying that if the Congress sees fit, that is fine; if they see fit, all right. We are in an unsubsidized area. It does give us a little difficulty.

The CHAIRMAN. You are subsidized in some ways through corn and other feed grain programs.

Mr. HOUSE. Correct; you took the words out of my mouth, Senator. It bothers us a little, because the man who can continue to grow wheat at \$1.15 a bushel plus his subsidy, what he gets from the Government, he makes his cheap grain available, and in Kansas, we are going to wind up with feeding wheat. Then, we oversupply the market with livestock products. And we are trying to tell our people to hold steady, to wait and to hope that we can control our market and to keep it on a cost-plus basis which, in our opinion, is good for everybody. We have not made any fantastic profits in the cattle business for 20 years. I have been in it all of that time. This is the only way I make my money, and I have checked the record, as I did the other day, and the best year I had was in 1959, which was the best year in the last 20 or 30 years, but these problems are interrelated. We want to pass our judgment over onto Congress as to whether or not to pass this bill, but for God's sake, let us see if we cannot keep some balance between industry, labor, and American agriculture. Our crops have grown much faster than the rest of the world. It pushes out; it makes our market available to them, because their crops are much slower.

The CHAIRMAN. You say that the balance for 1968, in labor, in agriculture, and in industry, is the same as in 1958?

Mr. HOUSE. In 1928.

The CHAIRMAN. Or in 1928. Do you mean that labor can now buy, let us say, meat or any commodity at virtually the same price or in proportion to what labor received as income? In other words, the income received by him in 1928 could buy as much as he can buy now?

Mr. HOUSE. No; he is even in a better position.

The CHAIRMAN. That is what I was going to say.

Mr. HOUSE. Yes, sir; he has run faster than we have in net income.

The CHAIRMAN. There is no doubt about that, that that is a cause of a lot of our trouble.

Mr. HOUSE. That is the imbalance that causes the trouble.

The CHAIRMAN. Exactly. And today a man can spend—let me say that I came here in 1936. At that time the laboring man spent about 28 percent of his income for food, and today he does it with 17 percent.

Mr. HOUSE. Correct, you bet; but the trends are the same evidently. In the United States we have set up a system that has given him a lot of strength, the laboring man, and I admire him very much for having been able to pull himself along as fast as he has and to improve his own conditions, but we have been weakening our organization somewhere along the line in American agriculture.

I want to point this out, that in the net income, I think in 20 years it has gone from \$181 to \$670 billion, approximately during that time. In the meantime, our net income, though we have eliminated a lot of people, has remained about the same, or has even dropped. It makes it very difficult to attract people into our business, except people outside of the business who have made a fortune in some other industry, and it poses a real problem for farm families who have no other income.

The CHAIRMAN. The farmer is hard to organize; he is more independent than anybody else.

Mr. HOUSE. We recognize that.

The CHAIRMAN. Of course, when it comes to labor—with big powerful labor unions—they can work with the Senators and the Congressmen to get their way, and they have quite a little lobby up here. I do not think that you have too much of a lobby, but you do have one.

Mr. HOUSE. I appreciate being given a chance to come in for a moment. We do not have a very powerful lobby, and we are not very well organized, I grant you that. We are considered a great unorganized sector of the U.S. economy and were so considered in the President's report. But we try. We appreciate anything you can do for us. We are just here to tell you that we recognize the problem. We do not try to superimpose our solutions on other sectors of the agriculture economy. We want to try our own. We hope that the others succeed, too. We are not trying to tear somebody else apart in this business.

The CHAIRMAN. Thank you.

Are there any other questions?

Senator YOUNG. I would just like to say that your testimony was interesting and very reasonable. I think that some of the best testimony I have heard has been yours, that I have heard for a long while. I wish that other segments of agriculture took the interest and have the concern as you have, and we would all get along much better. I do share your concern over this one important thing of the livestock industry, the imports.

If you clean up the foot-and-mouth disease in Latin America, they can ruin the cattle industry, and the same is true in Australia; otherwise, we can have a prosperous industry. The American cattlemen are for raising beef at reasonable prices, I am sure. I agree with you, as you well pointed out that they are the leaders.

I have a son in the feeding business, and he is just hanging on. You are just breaking even. You would do well if you do break even.

Mr. HOUSE. We are working desperately to try to hold the thing together, and to just give us a chance to get out. Of course, there are various problems that fall into laps. We are making a desperate effort. We are trying to do it. We feel that the industry is so diverse that we have to do it within the industry, because we are the ones who under-

stand it. And if we fail to discipline ourselves on supply and demand, then it is our failure. And we do not feel that anybody else could do it for us.

Senator YOUNG. Isn't it true, that all of your efforts will fail if imports increase? You are then ruined.

Mr. HOUSE. Absolutely makes it impossible. You can go down there. I was telling the Committee on Ways and Means that in Australia you can raise a calf and some of those fellows say that because of the climate and everything, at no cost practically—about \$10 a year.

Senator YOUNG. They have cheap land as well.

Mr. HOUSE. And no land costs. They give it to you for a lease.

The CHAIRMAN. Whereas, the way that we do it, they get it free. We have spent millions in research, and yet they start with that.

Mr. HOUSE. Yes. And one of my problems is that I live in a small community that lives off of the land. I help to support the schools. And I pay \$17.50 to my local community in taxes alone for every cow-calf unit. I am supporting a whole community in the United States, in this little community. And that with \$17.50 penalty to start with.

And then a reasonable wage, because our boys need money just like everybody else who lives in this world. My wages run about two to four times as high as they pay in Australia with a lot of side benefits. I can not compete. I am not going to try to kid anybody. I do not want anybody to tell me that you can work hard and you plan and you can compete with the rest of the world, because I have seen too much of it. And it is not possible.

The United States is a world apart, and it is a better world for labor than any place else in the world, because we have a well-paid, higher per capita income people. I am not trying to undermine the position of American labor. I have suggested that they in turn support us.

Now, help us with the same thing within the United States, because I think we have got to build a circle around this country, and to balance the thing within ourselves, or we will kick the whole thing out. It is just as simple as that.

Senator MILLER. Mr. House, you were not here yesterday?

Mr. HOUSE. No, I was not. I was in another meeting.

Senator MILLER. Yesterday, I took up this matter of including livestock in the excepted categories with the Secretary of Agriculture, whether this was inadvertent or advertent. We had some discussion about the point, and the way we left it was that he would not shed any blood if we had that in there. So I would say that I thoroughly agree with you and that they would have no objection to our including livestock in it; the Secretary said.

Mr. HOUSE. We thought that it might have been in there inadvertently. We did not want to pass up the occurrence here. We wanted to have the opportunity to tell you that we would like out. We appreciate any support that you can give us. That is, on the import thing.

And then from there on, we will try to do everything we can ourselves to bring our own business back into balance in a reasonable way into the economy of the United States.

Senator MILLER. On the import thing you have a chart at the end of your statement that shows imports. What is that 140 figure at the top? Is that pounds or thousands of pounds, or what?

Mr. HOUSE. That chart, that figure of 140 would be that you would be getting into 1,400 million, so that is in pounds. We have never reached that point.

Senator MILLER. That is 100,000?

Mr. HOUSE. You have caught me there.

The CHAIRMAN. It is 1,400 million.

Mr. HOUSE. That is the top. And we have never reached that.

Senator MILLER. That is the top?

Mr. HOUSE. Yes.

Senator MILLER. I noticed from the chart that you covered previous years, too, where there seems to be a pretty definite relationship between prices and imports. When imports are high, the prices are down. When imports are down, the prices are up.

Mr. HOUSE. There is a definite relationship between our cow prices, both dairy and beef; and it is interesting that they bring in the beef, starting in June, because it is fall in Australia and in New Zealand—they begin to slaughter cows, both dairy and beef cows, and they jump their imports about 50 percent and have for about two or three from now. And we have tried to chart this. It is a little complicated, but by the time they hit with their imports in June and July, they start to market old cows in Texas, both dairy and beef cows, and we market on throughout the country, through September and October and November, up in the north.

There is no question their peak imports are hitting us at the time of our peak sales. And just literally knocking the dickens out of the cow business.

To the extent that we can market cows in the spring in the United States, we get along fairly well, but you cannot always do that. And the boys that calve in the spring and sell off in the spring and sell off in the fall, are in direct competition with the heaviest import time that is coming. Those folks say, "This is our season and we open up all our plant to get going." And they do not want to keep their inventory in investment, and they dump it up here.

That is one of the points to take care of, to have the same amount in every quarter. It would make it much easier for us to tolerate the quota system. We do not think it is unreasonable. They do not pay our costs up here. We think that we have prior rights in the American market. That is one thing that irritates me.

They make no effort, these importing countries who send their beef here, to stimulate the eating of beef in their own country. In Australia it has dropped from 117 pounds to 85 pounds per person in the last 5 years, just to send it up here.

The CHAIRMAN. They eat a lot of mutton and lamb out there.

Mr. HOUSE. Some. But they do not want that much beef. They want to sell it here. I tell them that they ought to get hamburger stands going down there and to sell the kids hamburgers. If I could get one of these bottling companies to go down there and picture a hamburger—and I am not going to have anyone name on it—because they would crucify me—but they could sell hamburgers within their own countries to their own people. They make no attempt to do so.

Senator MILLER. When you talk about cleaning up the import quota bills, I presume you are talking about a bill that was pretty much like the one Senator Hruska and several of us joined together on.

Mr. HOUSE. Correct.

Senator MILLER. And tried to get passage. But we could not get it passed.

Mr. HOUSE. Correct.

Senator MILLER. And furthermore, as I understand it, you people want a reasonable percentage of our domestic market quota which, as our domestic economy grows, our population grows, means that they will export more to us within that fixed percentage, but it will be a fixed percentage which would be based upon a reasonable base period, not aggravated by an abnormal year.

Mr. HOUSE. That is right.

Mr. MILLER. That is your recommendation?

Mr. HOUSE. That is absolutely correct. And then, you see, we can take our guidelines program and our cattle price program under the Capper-Volstead Act and make a definite effort to correct the whole cattle situation. If we can do it, we have helped everybody and have helped American agriculture.

Senator MILLER. I thoroughly agree with you. We have tried to do that, and we will continue trying.

Your point about taking into account a reasonable return on the investment in agriculture is certainly well taken. I think you might be interested—and this is off the record.

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

Senator MILLER. Back on the record.

I am curious to know how Australia implements such a policy.

Mr. HOUSE. Australia, when they write in a support program or a subsidy program for their people, the price that they are shooting at is set, I was told, including this in it, not without it in there.

Senator MILLER. Do they set prices on their livestock?

Mr. HOUSE. They protect them. What they do down there at this point—and they do have some programs for subsidizing grains, for growing grains, but what they do is put an absolute import restriction on shipping anything into Australia that they can produce in that country. They have an iron-clad rule. And it applies to industrial goods as well.

I had lunch with a Ford Motor Co. manager. They force General Motors and Ford and Chrysler to produce 95 percent of their parts in Australia in order to have a license to sell cars down there and to assemble them down there.

And then to protect them against Japan, they put on a 45-percent tax. And while I was there they were debating whether to increase the tax, because Japan with cheap labor took 10 percent of the market that year.

Senator MILLER. The point is that they have a program of price support or subsidies which is geared into a fair return on the capital investment.

Mr. HOUSE. You bet; you bet. I did not take their statutes and their regulations, so I cannot define the exact method, but the economist that works there assured me, and the Prime Minister himself said, "This is exactly what we do."

And I asked him, in a great producing area, how he managed to maintain it in the face of industrial pressure, pressures for cheaper food, et cetera. And he said, "Because we have sold the country on the

fact that we have to move together, that you cannot leave one behind, and we are not about to leave Australian agriculture behind labor and industry in the country."

Senator MILLER. One further point. With respect to the rest of this bill, the proposal to continue the present wheat and feed grains program for another 4 years, have you not taken any position on it. You more or less said that if the committee in its wisdom saw fit to do this, OK; yet, in the next breath, you warn about low prices for feed and complain about that.

When you have corn in my State selling for 98 or 95 cents a bushel; when you have wheat selling in your State for \$1.12, or whatever it is; and when this is happening under the present program, I would think that you would be interested in some kind of an improvement in the present program.

Mr. HOUSE. I definitely am. But I would like to make this point as far as the failure, in my opinion, is concerned, the corn markets being so, we have exploited our technology, our machinery and our fertilizer, and it has made it almost impossible for any program here to work at this point, and I am desperate in feeling that that be repaired to the extent that these people prosper.

Senator MILLER. You want to see a farm program which is going to result in better prices.

Mr. HOUSE. You bet.

Senator MILLER. For feed grains?

Mr. HOUSE. You bet; you bet. We do not want cheap grain. We want everybody prosperous in this business. It is completely interrelated. I think it is imperative because it will not be long until we are worrying about just being sure that we have a real good food supply within the United States. And you can get it elsewhere. But you cannot get enough to save us, if they all decide to cut us off.

From what I have seen in the world, they would be delighted; the rest of the world is jealous of the United States. I do not care how friendly, basically, they are. And if they can get us to depend upon them for a supply of food, and they catch us in trouble, they will cut it off—boom—just like that.

Senator MILLER. You are deeply concerned about the future of our exports and the future of their imports.

Mr. HOUSE. That is correct. You bet. And I would hate to see the American public become dependent upon outside sources, because it will be cut off at some given point.

Senator MILLER. I appreciate your testimony very much.

The CHAIRMAN. As you know, we have a lot of difficulty in getting these imports held within bounds, so that we can prevent the importation of some things here in their quantities as they come in. But it seems as though we have a State Department that looks more after the foreigner than it does the American citizen.

Mr. HOUSE. I ran into that.

The CHAIRMAN. I know you did, too, as I did.

Mr. HOUSE. Our investors in those countries are more interested in preserving a free flow back and forth than they are in American agriculture.

The CHAIRMAN. Thank you very much.

Mr. HOUSE. Thank you.

The CHAIRMAN. Off the record.

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

The CHAIRMAN. Back on the record.

Mr. Magdanz, we will be pleased to hear from you at this time.

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION, OMAHA, NEBR.

Mr. MAGDANZ. Thank you, Mr. Chairman and members of the committee. I will be happy to file my statement and just make a few remarks.

The CHAIRMAN. Your whole statement will be put into the record at this point, and you may proceed as you please.

(The prepared statement of Mr. Magdanz follows:)

I am Don Magdanz, executive secretary-treasurer of the National Livestock Feeders Association with headquarters in Omaha, Nebr. With me this morning is our president Mr. Charles Phelps of Hastings, Iowa, who is an active and extensive cattle feeder as well as a large farmer and feed grain producer.

On behalf of Mr. Phelps and me, we do appreciate the privilege of our appearance today for the purpose of presenting the views and comments of this Association relative to S. 3590 by the chairman which would extend the Food and Agricultural Act of 1965 as well as make certain amendments to existing statutes pertaining to marketing orders.

With respect to extension of the 1965 act, our remarks are largely confined to the feed grain provisions because as livestock feeders this is the area with which we are most vitally concerned. Basically, we support an extension of the present farm program for a reasonable number of years with a few revisions our people feel are important. In so doing, we object strongly to inclusion of livestock in title IX, which objections we will elaborate on later.

The committee is well acquainted with the National Livestock Feeders Association, but for the record, please allow me to state briefly that it is a nonprofit, nonpolitical trade association supported entirely by membership from people engaged in the business of furnishing livestock * * * cattle, hogs, and lambs * * * for the slaughter market. Membership actually extends into some 20 States although prominently it exists in the central plains States which area feeds approximately 70 percent of the cattle that are slaughtered each year and raises and/or feeds about 75 percent of the hogs. Nearly all of our members are actually engaged in the livestock feeding business and have associated themselves in order to determine policy on numerous issues affecting the business and be represented by an organized voice.

We think it is appropriate to explain that when the chairman graciously invited us to appear at hearings beginning April 3 of this year, which hearings were for the purpose of determining the strength and weaknesses of the present farm programs and exploring any new proposals to supplement or compliment these programs, we felt it appropriate to decline. The reason was that our members had discussed the present farm program at our annual meeting in February of this year and, while there was general favor and acceptance indicated, official action was deferred because the present law does not expire until 1969 and we expected to have another year to explore possible improvements and revisions.

Since that time various inclinations have developed to consider extension in this Congress rather than wait until 1969, a development which we had not anticipated. Therefore, our Board of Directors, which is representative of our widely extended membership, while meeting on May 28, felt it was wise and important to declare a position at this time. Without dissension, this Board of prominent feeders instructed us to appear and present the views which we have already indicated.

We see no reason to belabor the details of the Food and Agricultural Act of 1965 and its operation in 1966 and 1967. The Committee has all of this information and is fully acquainted with its operation. Therefore, our remarks are general.

We do not believe that anyone would contend that the 1965 act amounts to a perfect program but in our opinion, its provisions have allowed it to be perhaps the best that has been enacted over a period of some 35 years. It remains voluntary which is one of the requirements this organization has always embraced. It is less expensive than at least some we have had in the past. Though not necessarily entirely responsible, it has allowed for considerable reductions in carry-over stocks in feed grains and the resulting decline in the cost of maintaining these stocks. Farm income is still not sufficient nor adequate; nevertheless, it has risen over previous years and it has been possible to offer feed grains in world markets at competitive prices.

Prices of feed grains for domestic usage are still considerably below parity or at least below figures we would consider reasonable for both the growers of feed grains and the livestock feeders. Hopefully the program can bring about a somewhat higher price level for feed grains in order to improve the general welfare of those engaged in their production.

We are convinced it is necessary to renew a feed grain program of the present character or something very similar to it in order to maintain such gains as have resulted, to restrain increases in production, and to prevent grain prices from sliding to what could be disastrous levels.

We have told this Committee repeatedly that as the primary users of feed grains in the domestic market, livestock feeders would look with favor on reasonable stabilization of prices at somewhat higher figures. We would be naive to suggest that such a situation does not have a favorable influence on livestock prices even though this influence may not be as direct or as immediately responsive as the record shows was the case some 10 or 15 years ago.

The diversion part of the program including price support payments and loan privileges along with the crop land adjustment opportunities offer some variety to the attainment of the overall purposes to restrain production and avoid huge excesses which have plagued the industry in some years past.

In suggesting several revisions, which we believe are important, it is recognized that perhaps some should take place through executive order rather than to be written into the law. Also we recognize some of the circumstances which prompt suggested modifications may be the result of some laxity on the part of local administration rather than the policy decisions which are accorded the Secretary and Department of Agriculture.

The privilege of grazing diverted acres under circumstances of a calamity or severe disaster cannot be questioned. However, without documentation, it does appear there may be certain laxity on the part of local officials and perhaps some hasty decisions on emergency grazing privileges.

At any rate, when these privileges have been made available some upward reaction in feeder cattle prices has been observed resulting from additional demand which under normal conditions would not have existed. Therefore, we do pass on to the Committee the feeling expressed by our Board of Directors that disaster grazing privileges be tightened up to be sure they are not accorded except under circumstances of definite emergency or clear disaster.

Another recommendation for revision involves a change in the method of determining base acres for feed grains from the historical record now used toward a percentage of tillable acres. Let me hasten to acknowledge that this principle was considered a number of years ago and resulted in rather strong objection and opposition. For that reason we certainly would not suggest such a change be made abruptly, but we would hope it might be possible to move toward a percentage basis over a period of years in order to overcome instances of disparity which do exist.

In so recommending, we are not unaware of provisions in the present law whereby some readjustment of bases can occur when there is unanimous agreement among members of state committees, and also that certain adjustments have taken place. However, again without documentation, it is our considered opinion that readjustments have not been possible as extensively as they should be under the present provisions. We do believe that a gradual movement toward a percentage basis would not only be more equitable for the producers involved but would also tend to encourage wider participation in a voluntary program.

Another recommendation pertains to the opportunities for growing other grain crops and soybeans on diverted acres. Again, we are mindful of the fact that this practice is not allowed under the program, except under conditions where a basic crop could not be planted on time because of excessive rainfall and flooding or other disaster such as extremely dry weather. However, we do believe that circumstances under which such privilege may be granted should

be scrutinized carefully and tightened up because we are advised by our people and others that permission to plant soybeans, for instance, on acres diverted from other crops is often not too difficult to obtain.

As we assessed the merits of a program designed to restrain production, we have endeavored to find out how many acres of government owned land have been leased to producers for the production of programmed crops. Unfortunately, the Department has not been able to provide us with these figures nor the volume of production that may be involved. Nevertheless, it does seem rather inconsistent to us for the government to offer a feed grain program aimed at restraining production and improving farm income and at the same time permit production of program crops on land that it owns. In raising this question, we submit the possibility the Committee would be willing to look into the matter further to appraise the merit of the inconsistency we feel is apparent here. Again, we are not unaware of the fact that payments for diverting feed grain acres on government owned land are based upon considerations in the rental arrangements and are reduced accordingly if the terms of the lease are less than those terms considered to be normal or reasonable in the area.

These recommendations for revisions, whether by law or executive order, we believe will serve to improve the operation of the present program, though admittedly such improvements would not be phenomenal or drastic in any sense of the word. They could serve to strengthen the application of the program and complement the results, and such changes as could come about through executive order might be recommended by the Committee if it looks with favor upon them.

Various recommendations have been made by the Executive Department and by others that the Food and Agricultural Act of 1965 should not only be extended but that it should be made permanent legislation. Realizing that no legislation is absolutely permanent because it can be amended or repealed at any time, it is our considered opinion that the Act under consideration now should be extended with a time limit and we do look with favor on the four-year extension contained in S. 3590.

The reason for this limit is merely to require congressional review periodically because circumstances in agriculture are changing rather rapidly and these changes will continue. With a four-year extension, it would be necessary to review the usefulness and the merit of the program again at a future date and explore its value and weaknesses.

At the same time, extension for a period a years, rather than just one year, allows producers to plan ahead without the uncertainty of drastic changes being made from year to year. Furthermore, an annual extension places considerable burden on this Committee as well as the entire Congress.

While supporting the extension of the present farm program as indicated previously, the members of this Association object strongly to the inclusion of livestock in the marketing order and bargaining machinery contained in Title IX of S. 3590. This is an Association policy of long standing and not a decision made recently by our Board of Directors. We believe that the authorizations are unnecessary, would be largely unworkable if applied to livestock, and would create far more problems than they would solve.

While no government programs involve livestock directly, other than the Wool Act, livestock people do realize residual effects of some and receive certain benefits from others. However, we believe that the Congress is not anxious to subject the livestock industry to the provisions of Title IX. Furthermore, the people we represent prefer reliance on our own initiative and opportunities to maintain and improve livestock income and net return.

We are aware of the fact that under Title IX a product or commodity would not be eligible for a marketing order unless a majority of affected producers voting in a referendum favored the eligibility. Then, after development and formalization of an order, a favorable vote by a two-thirds majority would be required to put the order into effect. However, we consider this procedure as grossly undesirable for those people responsible for feeding the majority of the livestock. For instance, while there are something over 200,000 cattle feeders in the United States, the records show that a high percentage of the cattle are fed by a rather low percentage of the feeders. Thus, eligibility for a marketing order on cattle, and a subsequent decision to put one into effect, could be voted by the required majorities of the feeders who actually fed a far lower percentage of the cattle.

The maintenance and improvement of feed grain prices at reasonable and higher levels does serve to stabilize livestock prices at least on a long-range basis. In addition, certain benefits to the livestock feeders do result from government

purchases of meat for needy families and the school lunch program largely using Section 32 funds. As the members of the Committee know, we have also been injured materially in recent years by such executive actions as the application of the Export Control Act to hides and skins, particularly when the provisions were exercised in a manner contrary to the intent of the Congress.

Be that as it may, we are convinced that the livestock industry does not lend itself to the general authorizations contained in Title IX, and if the Agricultural Marketing Act of 1937 is to be further amended to include them, we feel that livestock should be exempt. The growing and feeding process and the great variety in types, quality, weight, etc., which result therefrom, simply means the livestock segment of agriculture is a highly complex business. Perishability, variation in processing, and preparation of the final product would, in our opinion, make authorization in Title IX extremely difficult to administer if not impossible. Furthermore, companion provisions for production controls or allotments are not palatable to our people and they do not desire to be subjected to them.

Though the necessity for additional strength in the marketplace is not denied and the general price level has not been and is not now as high as it should be, we prefer that improvement come about through improved market machinery and through more intense and sophisticated industry efforts both of which we are working at diligently and sincerely.

In the past two years, we have been counseling regularly with people professionally engaged in the marketing business and have been stimulating them to modernize and improve their services to the livestock industry in order to bargain more effectively with livestock and meat buyers. Though little in the way of progress has yet become evident, we are not discouraged over possible results that hopefully will be forthcoming. We believe such approaches through a free and competitive market system have untold advantages over administered marketing or bargaining machinery.

Furthermore we seek not only more accuracy in estimates of numbers on hand and are cooperating intensely toward this end, but also we are advocating expansion of the number of states now covered by monthly estimates of cattle on feed. Effective with the June 21 report, the Department has changed and extended its estimates of hogs on hand to cover 50 states instead of a limited number, and also give the industry more meaningful information on weights of hogs as a better guide to future slaughter figures and pork production.

Moreover, we have been engaged in and are refining various industry self-help programs designed to restrain and keep meat production more nearly in line with more effective demand and at prices which promise improved returns to livestock feeders and producers.

Though advocating for some time the more orderly production and marketing of livestock and sale at lighter slaughter weights, the National Livestock Feeders Association intensified this industry self-help program over a year ago, and we believe the record will show some positive results have occurred. In these attempts we are pleased to have been joined by the Department of Agriculture in promoting the encouragement and the advantages to the industry that would result from wide-spread voluntary participation.

Though not yet in operation, we are presently engaged in formulating and developing a more refined system of gathering and supplying information to the livestock feeders which they can employ in the making of management decisions and use to improve their economic position.

In conclusion we do recommend to the Chairman and the Committee that favorable consideration be given to the extension of the Food and Agricultural Act of 1965, but that livestock be exempt from the provisions for marketing orders included in S. 3590. In our opinion, the situation can best be handled by the industry itself under free market conditions which encourage the ultimate in management, the opportunity for personal initiative, and the use of those facilities which can furnish the consumers of the United States with a reasonable and adequate supply of red meat and its products.

Mr. MAGDANZ. I would begin by correcting my statement, by saying that Mr. Phelps who is included in the statement, the president of the organization, was not able to come because he was unavoidable detained at the last moment. So he is not here.

Basically, we have taken this position: with respect to the bill before your committee, S. 3590, we feel perhaps that the present program,

the Food and Agriculture Act of 1965 perhaps, ought to be extended. It is not perfect legislation.

We recognize that readily. Feed grain prices are not as high as they ought to be. In fact, there has been a little decline. We think perhaps this may be because there has been quite a shift in just the last couple of years, particularly from Government-owned stocks into private-owned stocks.

There has been an increase in private ownership and a rather significant drop in Government-owned stocks. Perhaps this has served to upset the situation because we have not been used to that.

But, as the previous witness mentioned to you, we would prefer a program, if it can be devised—and I will tell you very frankly that we have not been able to come up with one——

The CHAIRMAN. That is what I was going to ask.

Mr. MAGDANZ. If someone can devise a program that will improve prices and do a better job for the feed grain producers and American agriculture, than we have now, we would certainly be in favor of that, but until such time as we have it, why, our people have said to us that we would support the extension of what we have now because, at least, in some respects it appears to be better than some we have had in many years past.

One of our main points, however, has to do with the matter of including livestock in as title IX, which is the marketing order section. I have become a little bit educated, I think, perhaps in the last week and some even yesterday with respect to the marketing order procedure.

We could have marketing orders that would be nothing more than I believe, a rather simple one, but important with respect to cotton, which provides the deduction of dollars per bale for promotion and research, things like that. And in regard to competition from synthetics.

Or a marketing order including everything that is provided for in the very sections of IX. We can go anywhere in between. However, we do not look with favor on marketing orders or even the machinery for marketing orders with respect to livestock, because we would like to be able, hopefully, under a higher grain price level to handle the livestock problem ourselves and under our own initiative. And we think we can do it.

I would like to say this, which is not in my statement, that we can show you some measure of success as a result of intensified industry efforts. For instance, we have been working an orderly marketing and lower average slaughter wastes for a number of years. A year ago or a little over, in January, we intensified this program tremendously. We went down, as a result of these efforts, and we claim credit for it, and I am sure that we are entitled to a good deal of it, from an average weight of slaughter steers on seven major markets—and this is a good criteria, as long as we are using this consistently, and in every weight of 1,160 pounds per head, down to the fall to 1,166; in other words, by a voluntary cooperation campaign we were able to pull these slaughter weights down. They have come up a little since then, but this is the general trend that is occurring in the fall of this year.

Since the first of January, and running until just about 3 or 4 weeks ago, the average slaughter weight of steers has been almost straight across the board. They have been under that of a year ago, which is what we are working for, in order to put more carcasses into the desirable weight classified, and also to restrain the production of beef.

How long we will be able to continue to do this, we do not know. We would like to try.

So for this reason, and also the complexity of the livestock business, the different weights, the different grades, the different processing and uses, and all of that—we cannot expect to handle livestock meat like you might handle a grain, just like you might handle cling peaches, tomatoes, or any other agricultural product that you could name.

And then I would add this with respect to the testimony you just heard regarding imports: One of the reasons we are having so much trouble in this country is the fact that other markets are not open to either the U.S. meat industry or to foreign exporters.

Just yesterday, we testified before the House Committee on Ways and Means and enumerated all of the nontariff trade barriers employed by these foreign nations, particularly those of the European Economic Community, where they will not let this product come in unless they want it. If they want it, they will take it.

If they do not want it, they protect the domestic industry and will not take it. As a result, we have exporting countries like Australia, New Zealand, and Ireland, and other countries, that are looking to the American markets for their exports, and we are having to absorb them.

We need to break down those tariff barriers over there.

Our State Department in the Kennedy round did not stick long enough to it to get it down. And signed the agreements. And they allowed the system to stand over there in the Community countries, who absolutely keep these products out.

The other thing is that I have a chart of this. I do not have this in my statement today. But it was in one that we used yesterday, showing the difference between the price of imported beef and domestically produced beef, both of which are of manufacturing quality. And this shows the difference in price between them. And it runs as high as \$8.50 a hundred, which within the date of March 15, 1968, ranged down to \$4.82. I see a figure back in January 1967 of \$47.88. The point is that they can produce the product and ship it here and pay our moderate duty of 3 cents per pound and still undersell the domestic market as much as \$8.50 a hundred.

Senator MILLER. Could we have that included in the record?

The CHAIRMAN. Yes.

Mr. MAGDANZ. I will be glad to take it out of this statement and to put it in the record.

The CHAIRMAN. Will you do that. We would like to have it as soon as possible.

Mr. MAGDANZ. I will give it to you here.

(The table above-referred to, follows:)

TABLE II.—CARLOT WHOLESALE BONELESS BEEF PRICES

Year	[Per hundredweight]					
	Cow beef			Bull beef		
	Domestic	Imported	Diference	Domestic	Imported	Difference
1967						
Jan. 2	\$53.00	\$47.88	\$5.12	\$53.50	\$51.00	\$2.50
Jan. 16	53.00	49.00	4.00	54.00	51.00	3.00
Feb. 3	52.75	48.75	4.00	53.00	51.00	2.00
Feb. 15	53.00	48.25	4.75	53.50	50.50	3.00
Mar. 1	52.50	47.38	5.12	53.00	49.50	4.00
Mar. 15	52.00	47.18	4.82	54.00	49.50	4.50
Apr. 3	52.50	47.83	4.62	54.00	50.00	4.00
Apr. 14	52.50	48.00	4.50	54.00	50.50	3.50
May 1	53.00	47.75	5.25	54.00	50.50	3.50
May 15	53.00	47.00	6.00	54.00	50.50	3.50
June 1	53.00	46.63	6.37	54.00	50.25	3.75
June 15	53.00	47.17	5.83	54.00	50.50	3.50
July 3	53.50	47.00	6.50	54.00	50.50	3.50
July 14	54.50	47.00	7.50	55.75	51.25	4.50
Aug. 1	52.50	45.75	5.75	52.50	51.50	1.00
Aug. 15	53.50	45.75	6.75	53.50	51.50	2.00
Sept. 1	52.50	45.50	6.00	52.75	52.00	.75
Sept. 15	52.00	47.25	4.75	52.75	52.25	.50
Oct. 2	52.00	47.50	4.50	52.50	52.50	.00
Oct. 16	51.00	47.50	3.50	52.50	51.50	1.00
Nov. 1	50.00	46.25	3.75	52.00	50.50	1.50
Nov. 15	49.50	46.00	3.50	51.50	50.00	1.50
Dec. 1	50.50	45.75	4.75	52.75	50.00	2.75
Dec. 15	50.50	46.25	4.25	52.75	49.75	3.00
1968						
Jan. 2	51.50	46.63	4.87	53.00	49.75	3.25
Jan. 15	51.00	46.75	4.25	53.50	50.00	3.50
Feb. 1	51.00	46.38	4.62	53.50	49.75	3.75
Feb. 15	51.50	46.38	5.12	53.50	49.75	3.75
Mar. 1	54.50	46.38	8.12	55.00	49.75	5.25
Mar. 15	55.00	46.50	8.50	55.00	49.75	5.25
Apr. 1	55.00	46.88	8.12	55.50	50.00	5.50
Apr. 15	55.25	47.25	8.00	55.50	50.00	5.50
May 1	55.50	48.38	7.12	56.00	51.50	4.50
May 15	55.50	48.75	6.75	55.50	51.75	3.75

Source: Reported in National Provisioner.

The CHAIRMAN. What I am trying to do, as chairman of the committee, is to get all the facts together as soon as possible, so that we can meet after the Fourth of July and mark up the bill.

With respect to your grain prices, of course, as you know, there is a wheat portion of this bill as well as that on corn on a voluntary basis.

Mr. MAGDANZ. Yes.

The CHAIRMAN. And the Department has tried to get more and more people interested in getting into the programs, so that less corn can be produced and less feed grains can be produced. The reason for it is that we would like to have that in balance, but somehow we have not attained that goal.

What we are looking for is a better method than what we now have. And if you have that in your store, let us have it now.

Mr. MAGDANZ. I would give it to you if I had it. We would have given it to you a long time ago if we had it. We have not been able to come up with it. Apparently, no Members of the Congress have been able to do so, nor the Department of Agriculture has been able to come up with it. And if we do have some ideas that we think are an improvement over what we now have, we will certainly be here to tell you about it.

The CHAIRMAN. I have been on this committee now for 32 years. I have chaired this committee longer than any man in history. And the point is that we have tried different methods, different ways, of doing

it. And we cannot find it. I think that this program is much better than if we had none.

Mr. MAGDANZ. This is the point that we make. It is much better than if we did not have any. In fact, I do not think that agriculture could stand with no program today. It would be disastrous.

The CHAIRMAN. Right.

Mr. MAGDANZ. This one, I believe, despite the fact that we have not achieved the goals you have just referred to, is at least keeping prices from sliding to disastrous levels. And, hopefully, if we move away some of the stocks that we are now moving into private hands, and have just gotten them out of Government hands, we have seen some improvement in our price levels.

It may very well be—and one of the recommendations we make for modification in our statement here is that, perhaps, there ought to be a different method of determining base acreages for participation. The historical method has been used up to this time.

We would recognize that this cannot be done overnight, but if we could move perhaps toward a percentage figure for basic acres, instead of the history, over a period of years we might invite more widespread participation—and this is not documented—but we know there are people who are staying out of the program today because they have such a low base that they just cannot afford to go into the program, but if they had a percentage of their sellable acreage, this might very well invite more people to take part in a voluntary program on a voluntary basis.

The CHAIRMAN. Are there any questions?

Senator MILLER. I have no questions.

I just want to say that I am always happy to see Mr. Magdanz appear before this committee. He represents very ably a very fine organization and his testimony certainly is worthy of our deepest consideration.

The CHAIRMAN. Yes, sir.

Thank you very much, Mr. Magdanz.

We will have to recess for a vote.

(Whereupon, there was a short recess.)

The CHAIRMAN. The committee will come to order.

Our next witness is Mr. Farrington. The committee will be pleased to hear from you.

STATEMENT OF CARL C. FARRINGTON, CHAIRMAN, AGRICULTURE COMMITTEE, MILLERS' NATIONAL FEDERATION, MINNEAPOLIS, MINN.

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Carl Farrington. I am a vice president of Archer Daniels Midland Co. in Minneapolis. I appear here as chairman of the Agriculture Committee of the Millers' National Federation which represents about 85 percent of the productive capacity of the U.S. wheat flour milling industry.

Because of the direct effect the certificate program has on flour millers and the customers we serve, we appreciate this opportunity to express our views on the provisions of S. 3590 relating to wheat. The total wheat program is far ranging and complex. We do not pro-

pose to offer opinions on the need or lack of need for a Federal wheat program.

We will address our comments, first, to the present wheat marketing certificate program and, later, to the proposed amendments incorporated in S. 3590.

Assuming the continuation of a wheat price-support program, we believe the current concept of establishing a loan slightly below the world wheat price level is desirable.

Another basic feature of the present program is the payment of Federal funds to producers who comply with the program. In the case of wheat the bulk of the funds for these income-supplementing payments do not come from the Federal Treasury as is true for other competing grains. Instead, wheat processors are required by law to pay to the Commodity Credit Corporation a processing tax, presently at the rate of 75 cents per bushel, on each bushel of wheat processed. The funds thus collected are then commingled with other funds available to CCC from the U.S. Treasury in making payments to wheat producers.

It is this feature of the wheat program—namely, the method of obtaining funds for cooperator payments—to which we have objected repeatedly and continue to object. Among grains and other major crops, the wheat program is the only Federal program which obligates consumers—and it is the consumer who actually pays—to finance the major part of the price-support payments.

We believe this is an unsound arrangement for all whose livelihoods depend on wheat and wheat products.

Wheat products compete, directly or indirectly, with every item of food available to the consumer. Particularly, they must compete directly with corn and other grain products, in breakfast foods, breads, crackers, snack foods, beer, whiskey, and a host of other products.

Based on published participation and projected yield figures by States, it appears that some 547 million bushels of wheat are eligible for certificate payments to producers in 1968. On the basis of the current parity price of wheat of \$2.63, the rate of these payments will be \$1.38 per bushel and these payments will total \$755 million. The current level of domestic foods use of wheat is reported by USDA at 510 million bushels. At 75 cents per bushel, this volume of wheat put into process will yield a revenue of CCC from processors of \$382.5 million, or a little over half of the total amount that will be paid out to wheat producers.

By way of contrast, direct Federal payments to feed grain producers in 1968 are estimated at about \$1.3 billion. The total cost of the 1967 cotton program was \$930 million. Cotton payments will be somewhat lower in 1968 than in 1967 but, I believe, will exceed the estimated \$755 million to be paid to wheat producers. All of these feed grain and cotton payments come direct from the Federal Treasury while over half of the wheat price-support program is being financed by processors and wheat product consumers.

The CHAIRMAN. What do you have to pay for your wheat now?

Mr. FARRINGTON. The going market price.

The CHAIRMAN. That is about dollars—what?

Mr. FARRINGTON. At the farm level, it averages, I think, \$1.36.

The CHAIRMAN. And you pay 75 cents for the certificate?

Mr. FARRINGTON. Yes, sir. Of course, at the mill level, it costs more than that.

The CHAIRMAN. Wheat is the only commodity that is paid full parity.

Mr. FARRINGTON. Yes. I have wondered about that.

The CHAIRMAN. That is the reason for it, to give the farmer, the wheat farmer, a better price—that is all. And if we did not do that, you could see the extent to which the wheat farmer would be penalized.

Mr. FARRINGTON. We are only talking about the method of financing.

The CHAIRMAN. I understand that, but yet, all of that comes from the taxpayer.

Mr. FARRINGTON. There is dramatic evidence available of the discrimination against wheat resulting from these certificate payments and the price disadvantage wheat is faced with in competing against corn and other grains for food use.

During the past 4 years when market prices have had an opportunity to reflect competitive market values, the domestic farm price of wheat has averaged 115 percent of the average farm price of corn on a pound-for-pound basis. The same relationship of 115 percent has existed between export values at the gulf for No. 2 Hard Winter wheat and No. 2 Yellow corn.

On the other hand, the cost of wheat to the miller since the inception of the certificate program in 1964 has been between 172 percent, and about 190 percent of the corn price on a pound-for-pound basis. The increasing artificial price disadvantage wheat now has is causing ingredient buyers to substitute corn and other grain products for wheat.

The per capita consumption of wheat in the United States has declined continually over the years. Through research, market development, and investment, everyone concerned with wheat is trying to reverse this trend. Millers, bakers, and wheat producers are presently in the process of attempting to develop a strong, coordinated, and well-financed research and promotion program to maintain the role of wheat products in the U.S. and world diet.

It should be obvious that many of these efforts are being discouraged by the unfavorable competitive position in which wheat is placed as a result of the processor certificate levy. We are seeing substantial evidence of the substitution of other ingredients for wheat flour in certain products and it is being done mainly on the basis of ingredient cost. There is evidence of a decline in new wheat product development and in corporate research on wheat as a source of cereal protein. Flour mills have been closing at a rapid rate. New mill construction and the investment of outside capital in the milling industry is almost at a standstill.

It is impossible at this time to document what the longrun effects of the present certificate program would be if extended beyond next year. We do not want to cry, "wolf," unnecessarily, but we do believe the present method of financing the wheat price-support program is potentially dangerous to the entire wheat economy in this country.

These factors inevitably lead us to the conclusion that if the committee and the Congress feel that wheat market prices provide producers with inadequate returns, any supplemental payments should be provided direct from the Federal Treasury. Other commodity pro-

grams are financed in this manner. We believe the singling out of wheat for this unique tax treatment will be self-defeating in the long run.

The CHAIRMAN. What do you think the retail price of bread per pound would be if the committee followed your suggestion of obtaining wheat at \$1.47—that is what you are saying now.

Mr. FARRINGTON. \$1.36.

The CHAIRMAN. That is what you want. You want to be able to buy the wheat at \$1.37?

Mr. FARRINGTON. Wherever it is on the market.

The CHAIRMAN. I know that. What do you think the price of bread would be per pound?

Mr. FARRINGTON. I am not in the bread baking business.

The CHAIRMAN. I know that you are not.

Mr. FARRINGTON. I know that the price of flour would go down by the amount of the certificate.

The CHAIRMAN. I would like even to believe that, but it does not.

Mr. FARRINGTON. It is in the record that that happens.

The CHAIRMAN. As the rule, it does not. The fact is that the wheat program is a little different from corn in that, as I pointed out, the wheatgrower gets full parity on what is utilized at home. That is one way of getting a payment.

Mr. FARRINGTON. We are not talking about that. We are talking about a way to finance it.

Our views on the amendments proposed in title IV for the wheat program are predictable in view of our foregoing comments.

First, it is proposed in section 401 of S. 3590 to extend the wheat program for 4 additional years. We oppose such a long-term extension. On the other hand, we would not oppose a simple 1-year extension if it would provide time for a meaningful consideration of the present and alternative programs next year.

Second, it is proposed in section 404 of S. 3590 to prohibit a reduction in the levy on millers if the Secretary raises the price support loan rate. Present law fixes the processor certificate cost at the difference between the loan, now \$1.25; and \$2 or 75 cents.

Thus, if the loan is increased for the purpose of enhancing market prices, present law provides a corresponding reduction in the miller's payment to the Commodity Credit Corporation. But the miller would be severely penalized if the loan rate were increased with no reduction in the processing levy.

Third, section 404 of S. 3590 would also increase the processing tax even further by adding to it any increase in parity for marketing years after July 1, 1969.

The CHAIRMAN. That is one of your proposals?

Mr. FARRINGTON. No. That is a provision in the bill to which we are opposed.

The Commodity Credit Corporation is now obligated to make domestic certificate payments to cooperating producers at a rate determined by the difference between the loan rate and full parity, presently \$2.63. The effect of the proposal would be to shift the cost of any future increase in parity from the U.S. Treasury to processors and consumers. This would subject wheat processors to highly disruptive and objectionable year-to-year adjustments in the processing tax rate. Further-

more, for every penny parity increases, \$5 million would be added to the consumer cost of wheat foods and the competitive disadvantage of wheat products would be that much greater.

The entire effect of section 404 would be to burden wheat processors and consumers with the cost of financing a larger portion of the wheat program payments. It would permit the Secretary to increase the wheat loan rate and correspondingly reduce payments to producers but still collect the same amount of funds from processors. Also, increases in payments resulting from increases in parity would be financed by escalating the processing tax rate rather than using Treasury funds as now provided for this purpose.

I would like to depart from my prepared text.

The CHAIRMAN. You may do so.

Mr. FARRINGTON. I understand that in response to a question as to what the cost of the wheat program would be as a minimum, the Secretary of Agriculture said at one time "very little," and at another, "\$8, \$10, or \$12 million."

We question whether the Secretary or anyone else can predict with any certainty what the increased costs will be. We know, however, that if the loan rate were increased 10 cents per bushel, and there were a corresponding increase in the market price of wheat, and if the processor's certificate costs were not reduced, the increased cost to the millers and the consumers would be \$50 million.

With respect to higher costs due to future increase in parity, the Secretary said that this would amount not to very much in a higher certificate cost. Four years ago the July parity figure was \$2.52 per bushel. That was at the outset of the certificate program.

Parity now stands at \$2.63, or an increase of 11 cents. This is equivalent to a certificate cost of \$56 million.

In the previous 4 years parity has gone up 13 cents and, probably, will go up again and continue to go up. Certainly, an amount of \$50 or \$56 million is not just a little bit of money in our industry.

We were gratified, therefore, that the Secretary said that the Department will not strongly oppose the deletion of this parity escalator, if the committee wishes to do so.

Mr. Chairman, that is what I was going to say. It seems that this amendment to the pending law would not benefit the farmer very much.

Mr. FARRINGTON. No; it would not.

The CHAIRMAN. That is why I believe that the committee may be desirous to delete that.

Mr. FARRINGTON. The proposal to escalate the processing tax rate on the basis of increases in the parity price of wheat prompts us to raise questions about the parity prices in general and the wheat parity price in particular.

The National Advisory Commission on Food and Fiber in its report to the President stated that "the historical concept of parity prices is obsolete and inconsistent with the structure and technology of modern agriculture." Accordingly, that Commission recommended "that the parity price concept be supplanted as a device for measuring and evaluating changes in net farm income."

The Commission further recommended "that a new concept of parity income for farmers be developed and put into use, taking into

consideration changes in productivity." They stated that this concept should be predicated on a comparison of the return to labor, capital, and management used in farm production with the return on such resources used in other parts of the economy.

The Secretary of Agriculture and many students of agriculture and agricultural price relationships have reached similar conclusions.

We seriously question the propriety of linking a processing tax rate to a price concept of such dubious validity as the current wheat parity price formula.

More importantly, however, we object to a long-term extension of legislation that subjects us and our products to a serious competitive disadvantage in the domestic food market.

We urge that plans be developed for eliminating rather than escalating the present discriminatory method of financing wheat payments. Wheat foods alone should not be taxed. Either the wheat food tax should be eliminated or other grains, and particularly corn, used for food should be taxed equally.

The amendments proposed in sections 402, 403, and 405 of S. 3590 appear to have no, or only minor, effect on the flour-milling industry and we are taking no position on these amendments.

We have given some study to title IX of S. 3590. We are not sure we understand the full import of the amendment to section 8c(2) of the Marketing Agreement Act of 1937 contained in section 901 of S. 3590. It seems to provide almost a blanket exception to a number of exceptions now specified in the law.

Apparently, this amendment plus section 902 would give the Secretary power to issue a marketing order including the establishment of minimum prices covering all wheat or any regional or market classification of wheat after a mere majority of the affected producers voting in a referendum indicate that such commodity should be eligible for an order.

If this is the meaning of sections 901 and 902 of S. 3590, we submit that it is an unnecessary and undesirable grant of authority to the Secretary of Agriculture. The Secretary of Agriculture has authority presently to establish minimum prices for all classes of wheat in the form of nonrecourse loans. These loan rates presumably reflect the highest level of Government intervention the Secretary deems desirable, taking into consideration:

- (a) Adequate production for all requirements, including a reasonable carryover;
- (b) Competitively priced and readily available wheat for domestic and export markets;
- (c) Adequate participation in the acreage adjustment program at a reasonable cost; and
- (d) A reasonable production balance among wheat and competing crops.

These nonrecourse loan provisions are supplemented by acreage-adjustment and income-supplementing payments.

Any establishment of minimum prices and other conditions of sale for wheat and wheat products through a marketing order would appear to be an unnecessary and dangerous duplication of power. It would permit the substitution of an unworkable program, as applied to a nationally produced export commodity, for a type of program that over the years has proved administratively feasible.

For the same reasons we strongly support the proposed exclusion of wheat and wheat products from the collective bargaining legislation contained in section 905 of S. 3590. Wheat and the other excepted commodities listed in section 905 of S. 3590 and in section 8c(2) of the Agricultural Marketing Agreement Act of 1937 should continue to be excluded from present and proposed marketing order and collective bargaining legislation. We believe it would be most unfortunate to have any overlapping of authority between the price-support and production adjustment programs authorized under the Agricultural Adjustment Act of 1938, as amended, and the market order and collective bargaining programs under the Marketing Agreement Act of 1937, as amended.

In summary, Mr. Chairman, we oppose the provisions of sections 401 and 404 of S. 3590. We do not oppose the other sections of title IV. We support exclusion of wheat and wheat products from present and proposed marketing order and collective bargaining legislation.

Thank you, Mr. Chairman, for this opportunity to express the views of the milling industry on portions of S. 3590.

The CHAIRMAN. As I understand the burden of your testimony, it is that you are not satisfied with the way that the payments for wheat to the farmers are made. Before this act went into effect, you paid just about the support price, what it was; in 1962, the support price was \$2, and now you are paying about \$2.11. That is really the difference, which of course, I know, amounts to quite a bit in total.

Mr. FARRINGTON. The burden of our statement relates entirely to the method of financing.

The CHAIRMAN. I understand that.

Mr. FARRINGTON. And the competitive disadvantage that it puts wheat products in as compared to other food products.

The CHAIRMAN. Is corn a great competitor to wheat in this market?

Mr. FARRINGTON. Well, there were about 350 million bushels of corn used in food products, including beverages, as compared to 510 million bushels of wheat. There are many areas where there is direct competition; yes, sir. And you pay out \$1.3 billion on feed grains. And you could collect a part of that, too, if you wanted to proceed this way.

The CHAIRMAN. We have your suggestions. It would mean much more money out of the Treasury than this program provides.

Mr. FARRINGTON. It would be less. You would be collecting more from the corn processors.

The CHAIRMAN. But the way that you want it, you would like to have it—

Mr. FARRINGTON. To shift it the other way.

The CHAIRMAN. You would like to do away with the certificate altogether?

Mr. FARRINGTON. Yes.

The CHAIRMAN. And simply pay the market price?

Mr. FARRINGTON. Whatever payment would be made, do the same for all grains.

The CHAIRMAN. Thank you, sir.

Mr. FARRINGTON. Thank you.

The CHAIRMAN. You have a good point.

Our next witness is Mr. Donald M. Mennel.

We will be pleased to hear from you now.

STATEMENT OF DONALD M. MENNEL, PRESIDENT, NATIONAL SOFT
WHEAT MILLERS' ASSOCIATION, FOSTORIA, OHIO

Mr. MENNEL. Mr. Chairman and members of the committee, I certainly appreciate being asked to come back again. I will try to be fast.

My name is Donald M. Mennel, and I am here as president of the National Soft Wheat Millers' Association. I appeared in April and we made eight suggestions. Six are silent in this bill that we are discussing here today, and the other two are diametrically opposite to our suggestions. So we are not doing so well. [Laughter.]

Since April I have talked to a number of farmers in Ohio to find out what they think of the wheat certificate program. And I only found one who was in favor of it. And he was one of the largest farmers in Ohio. Most of the farmers characterize this in such words as, "abominable."

Specifically, in connection with S. 3590, we are very much opposed to extending it more than 1 year.

We will not strenuously oppose a 1-year extension, but we think that it is unfair to saddle a new administration with a bill that would have to be repealed or amended immediately, if it did not agree with it. We think that the new administration should have the opportunity to make their own bill. We feel they could, without any extension, do so but it would put the heat on everybody, which might not be fair in such a broad program.

Our strongest objection, probably—and I was happy to hear your comments to Mr. Farrington—is tying the processing tax to the statistical fabrication of parity. We think that this is just almost impossible. It creates a permanent situation over which there is no control, really.

There are no restraints on the Secretary. He would be free in many respects to move.

We also do not exactly understand the wording of the bill on the certificates. There isn't an "either or"—it is either the face value of the certificate or tying it to parity. The face value of the certificate now is defined, but this does not really say that the face value of that certificate would stay the same.

Going back into the background of the legislation, it appears that it could be changed.

The CHAIRMAN. That was the intent: not to change the face value.

Mr. MENNEL. I see. We have the feeling that tying this to parity creates a situation in that we all know the problem has been currently facing Congress in connection with the income tax increase, and the difficulty with the very broad support for an income tax increase program.

Yet here is a way of allowing the Secretary to increase the wheat tax without any problem other than signing his name, really. So we just do not feel that this is the proper authority.

We also agree with you that very little of this will go back to the farmer, while all of it will fall on the American consumer. And we do not think that is proper, either. We feel that the farmer should participate in the rise in the cost of living, just as everyone does.

We have studied the balance of the bill carefully. Title IX just plain confuses us. It looks like wheat would be subject to marketing orders, but not subject to collective bargaining.

The CHAIRMAN. If it would be left out, it would take care of that—that was the intention. It will be corrected. If there is any doubt about it, the committee will remove that doubt.

Mr. MENNEL. Our industry has been in real serious trouble ever since the wheat certificate program came in. I would not want to imply that the current wheat program is totally to blame for the condition of the industry, but I do think that the advent of the tax and the subsequent action is not simply coincidental. These are costs that have changed, demand pictures—they have changed costs of county procedures, and it has presented many, many problems for the industry. I am sure that you are aware that many flour mills closed since 1954.

General Mills closed 55 percent of their flour mills. Two of the major companies closed 40,000 hundredweight for flour mill capacity.

The CHAIRMAN. You mean that the consumption of wheat has been down that much?

Mr. MENNEL. It has been changing that much; yes.

To relate this to size—and I have a personal interest in the industry, since I run a flour mill—this is four times the size of our total company that closed down last month.

During the IGA debate there was a lot of talk about the world and the U.S. price, but I did not see a lot of talk as to the American consumer under this program. This information may have been related by the Treasurer as to this cost, but certainly it has not eliminated the cost of the program from the American consumer, who is, after all, the taxpayer.

We, of course, believe that if the Secretary is going to use this kind of a program and add to it and cut down allotments to control supply, that he ought to do it in relation to domestic need, rather than just across the board, as he has done in the past.

We recognize the political realities make this a little difficult. We do not think, in summary, that the current program is working. We believe it has increased the wheat farmer's dependence on the Federal Government. It has increased the cost to the domestic consumer. It has failed to control the domestic production. It has accelerated the decline in the wheat food consumption. And I think it has been less than spectacular in increasing exports for dollars.

So we do not think that a new administration should be saddled with this for 4 years.

The CHAIRMAN. Is it your decision that the old program is better than this one?

Mr. MENNEL. Parts of the old program were; yes.

The CHAIRMAN. Generally speaking, I mean.

Mr. MENNEL. I would prefer to pay a higher price for wheat, generally speaking, in a sounder market, so that the farmer would get a fair return on the open market, rather than to have this tax program superimposed on it.

The CHAIRMAN. Of course, the purpose of paying the farmer the full parity was to get his price up so that he can make a go of it. It is unlike corn, as you know. I guess 85 percent of the corn is consumed here in this country, and very little is exported. And what the committee

desired to do was to make wheat competitive on the world market, just letting it find its price at whatever it sells for at the market.

But now, in order to protect the farmer, we wrote into the bill full parity for the domestic part.

Mr. MENNEL. Yes; I realize that.

The CHAIRMAN. There is some difference, of course, in the price to you, depending upon—

Mr. MENNEL. The come and go of the marketplace.

The CHAIRMAN. Yes; that is right.

Mr. MENNEL. We feel, though, that this price structure has driven the price of wheat below, in a sense. The IGA is a good example of it. We have to go to a reverse subsidy in order to have a price comparable to world price. And I think this is the action of the program that has done this. It seems to me that wheat used in domestic consumption is a good food and it should be properly paid for, properly supported.

I do not feel, though that the wheat industry should be singled out as the single taxing source for any food. It is the only food that is taxed in this manner. We are seeing, as I said in April, a tremendous substitution for other grains in products of our soft wheat in this country.

You bought—you will remember—cookies and pies and all of the things that were made with corn flour and rice flour and barley flour.

The CHAIRMAN. Very good.

Mr. MENNEL. We feel that this program, if we are going to have this kind of program, let us be fair, let us hang it on everybody.

The CHAIRMAN. I would like to find ways to improve it.

Mr. MENNEL. I would like to get a new one. I would like to give a new administration a crack at it before the 4 years roll along.

The CHAIRMAN. We might have the same administration.

Mr. MENNEL. They have said that they are not going to be here, but I will not argue with you on that, sir. [Laughter.]

The CHAIRMAN. Well, thank you very much.

Mr. MENNEL. Thank you.

(The prepared statement of Mr. Mennel follows:)

Mr. Chairman and Gentlemen: My name is Donald M. Mennel. I am President of The Mennel Milling Company of Fostoria, Ohio, and I am here today as Vice-President of the National Soft Wheat Millers' Association. I have with me Ronald H. Huffman, Secretary and Counsel of the Association. Member companies represent approximately 80% of the total commercial soft wheat milling production of the United States.

We appreciate very much being asked to return to discuss S. 3590 with you.

In our April 5, 1968 statement we requested an end to the certificate program or, at most, that any extension of the various Agricultural Acts be limited to a year-to-year basis.

We asked that the illogical growing practices created by the Acts be corrected.

We suggested a sliding scale of payments to assist the smaller farmer.

We asked for a statute of limitations on USDA examinations.

We asked for reduction in the processor wheat certificate tax.

We were concerned about substitutions of the products of other grain for wheat in various foods.

We pointed out the regressive nature of the wheat certificate program.

We asked for an appeal and arbitration procedure to protect us against the lack of consistency in interpretation by USDA in the administration of the Act.

S. 3590 is silent on all of our requests except two and on those proposes diametrically opposite action to our recommendation for reduction in processor wheat certificate costs and limitation to year-to-year extension at most.

Since making my April 5th statement, members of my company and I have attended a good many meetings with farmers and country elevator operators. We have been asking, "What is your opinion of the wheat certificate program?"

We have done this to try to be more qualified to represent the wheat interests of the Central Soft Wheat area.

Here are some direct quotations :

"Abominable." A small farmer in central Ohio.

"I am a Christian man, but even thinking about the program makes me profane." A medium-sized farmer in southern Michigan.

"I have never participated voluntarily in any wheat program, but this year I had a choice of going out of farming or signing up, so I signed up." A farmer in northwestern Ohio.

"Any program to replace it will have to be better . . . it is perfectly proper for the American consumer to pay me directly for what I am doing." One of the largest farmers in Ohio.

Of all the farmers, only the one, very large one, was in favor of it, and in checking published information I found he received a very sizeable payment from CCC for his 1967 operations, which might explain his unique position.

The Chairman of the Ohio State ASCS Committee, Dwight Wise, recently said that he had completed a detailed study of one Ohio county. One hundred one farmers were non-participants in the wheat program. Each was checked carefully and forty-six were found to be in compliance and eligible for participation. Mr. Wise was unable to understand why they refused to sign up. Personally, I believe the answer is simply they believe in individual freedom and decided that personal freedom and integrity is more valuable than money. I have talked with many non-participating farmers and I have a deep respect for their beliefs.

Specifically, in reviewing S. 3590, we oppose, in general, all the sections extending various acts beyond their 1969 limits, and specifically Sec. 401, the extension of current wheat programs beyond 1969. President Johnson and Secretary Freeman both say they will not be in the next Administration. Thus, we believe the new President and the new Secretary should not have to secure the repeal of an existing law before being able to propose their own program. Regardless of the individuals or the political party, they should have freedom of action without having to start out defensively. We would prefer to allow the old law to run its course, thus forcing early action by the new Administration, but recognizing political realities, we will not object strenuously to a simple one-year extension. More than this we will oppose vigorously.

Second, we support Sec. 402, lengthening the average time for computing projected farm yield. This should recognize crop rotation practices somewhat more equitably.

Third, we support Sec. 403, the broadening of the wheat allotment computation, although we believe the Secretary already has the authority he now seeks.

Fourth, we are totally and unalterably opposed to Sec. 404, relating the processors wheat certificate tax to the statistical fabrication of parity. Sec. 379e of the Agricultural Adjustment Act of 1938, as amended, places restraints on the Secretary as to the loan level and the certificate cost. This proposal frees the Secretary from all restraint.

We are all aware of the extremely difficult time the Administration has had in trying to obtain an income tax increase as a means of controlling inflationary trends. This effort has had broad support, from many diverse interests, with nationwide media coverage for more than a year and only now is appearing possible of enactment.

Yet Sec. 404 would give a broad grant of authority to the Secretary to raise the wheat certificate tax, with its inevitable results of higher consumer costs, without any more effort than writing his name. No one in this nation has ever had such taxing authority and no one ever should. We urge Sec. 404 be deleted in its entirety.

We support Sec. 405, which appears to move forward to May 1 from July 1 the final decision date for the price support level, thus giving the market place slightly more time to digest the announcement before harvest.

Insofar as any segments of Titles I, II, III, V, VI, VII, VIII, and IX may concern wheat, we oppose them in that such application is not stated clearly and openly and we, thus, are unable to judge its effect upon our members.

For example, Sec. 901 appears to make wheat subject to marketing orders following some variety of referendum of producers, but Sec. 905 exempts wheat from collective bargaining. We believe this portion of the Act is not clear, nor is its intent discernible when taken in relation to the price support and certificate programs.

Since the advent of the current wheat program the wheat flour milling industry has been in serious trouble. This has been characterized by the closing of 55% of the milling capacity of General Mills. 17 mills with 55,000 cwts. daily capacity were closed, and as far as I know, only one was later sold and is operating currently, and it replaced an older, less efficient plant which was subsequently shut down, of the purchasing company.

This trend is continuing. Since the beginning of the crop year now drawing to a close, many mills have closed. I am sure I cannot list them all, but here is a partial listing of the major closings:

Colorado Milling & Elevator Co., Omaha, Nebr.....	7, 100
Colorado Milling & Elevator Co., St. Louis, Mo.....	15, 000
International Milling Co., Belleville, Ill.....	4, 200
International Milling Co., Salina, Kans.....	8, 600
International Milling Co., Greenville, Tex.....	5, 100
Total	40, 000

Last year several other closed, either voluntarily or involuntarily.

An editorial in the *Southwestern Miller* of June 4, 1968 starts out: "Announcements in the past month of closings of 5 flour mills with combined milling capacity in excess of 40,000 cwts. speak with startling eloquence of conditions prevailing in milling." The editorial goes on to say the closings were by sophisticated companies who apply sound economic analysis to both the past and the future, who have come to the conclusion they can use their financial resources better elsewhere. These most recent closings incidentally represent four times the total capacity of my company.

I do not mean to imply that the current wheat programs are totally to blame for the condition of the industry, but I believe very strongly that the advent of the wheat certificate tax and the subsequent decimation of the industry are not coincidental.

During the last two years the consumer has paid the highest price in modern times for wheat at the same time as the cash price of wheat and wheat futures are making headlines as the lowest in 26 years. "*Wall Street Journal*—6/21/68—Chicago Wheat Prices for July 1968 Contracts Drop to 26 Year Low."

"*The Journal of Commerce*—6/21/68, in story on IGA—Wheat price in U.S. futures market have been severely depressed for some time, recently dropping to the lowest level for the past 25 years."

According to 20 year average loan rates compared to farmers prices 1948 thru 1967 placed in the record during the April hearings, the pre-certificate era shows a 16 year average loan of \$1.9919 and a farmer price of \$1.9425, or a farmer price of \$.0494 below loan. For the 4 post-certificate years comparable averages are loan \$1.2625, farmer \$1.44, difference \$.1775 over loan. This year still lower prices are predictable and, if the prior 16 years of experience are any guide, the 1968-69 average farmer price might drop to \$1.20, or \$.24 below the 4 year average shown. In fact, in Ohio currently, the farm price has dropped to or below this point already, and we are several weeks away from harvest.

The recent debates on the IGA emphasized the World level of wheat prices compared to U.S. prices. There was, however, little or no concern that the domestic consumer is paying a very high price in spite of this.

A study of the historical data supplied by USDA reveals some very remarkable information.

In those states having wheat allotments of one million acres or more there are some significant differences.

Since 1965 there has been a reduction in the numbers of participating farms in the Central soft wheat area each year, while in the hard wheat and Western white areas each year has shown an increase. In the spring wheat area the trend has been mixed, but now is rising.

There are very nearly the same number of total farms in these five soft wheat states as there are in the twelve other significant wheat states. Yet, in the soft states only slightly more than half of the total allotment acres participate in the program, compared to over ninety percent in the other three areas.

Strangely, however, if we compare total participating acres to total planted acres, we find the soft area compares relatively closely to the other areas. It should be noted that considerable overplanting has occurred in the western white area.

From this we read a very considerable disenchantment with the wheat program in the soft wheat area with mainly the large farmers bothering with wheat at all. This has been, is, and will continue to be, one of our objections to the certificate plan. In the eyes of many independent farmers it assumes the character of a dole or handout and they abandon it in favor of other, less government dominated crops, or, if unable to do this, abandon farming.

Incidentally, the same disillusionment that is being seen in the wheat program is reflected in the feed grain programs. Just as in wheat, the zenith in farm participation occurred in 1965 in the feed grain program.

It is further interesting to note that on June 14, 1968 the Secretary announced a cut of 13% in wheat acreage allotments and, with the use of maximum diversion payments, he is hoping for an 18% reduction.

These reductions are similar to those of the past and will not recognize domestic consumption patterns, choosing rather to fall on all farmers approximately equally regardless of real demand for their product.

This is another reason we believe any extension of the wheat program should be limited to not more than one year.

In summary, we do not believe the current wheat program is working. It has increased the dependence of the wheat farmer on the federal government. It has increased the cost of wheat-based foods to the domestic consumer. It has failed to control surplus production. It has accelerated the decline in wheat food consumption per capita. It has been less than spectacularly successful in increasing exports of wheat for which we are paid currently in dollars. We do not believe the new Administration should be saddled for four years with such an unsuccessful program.

The CHAIRMAN. Mr. Brooks is our next witness.

STATEMENT OF WILLIAM F. BROOKS, PRESIDENT AND GENERAL COUNSEL, NATIONAL GRAIN TRADE COUNCIL

Mr. BROOKS. Mr. Chairman and members of the committee:

I have a very brief statement. I will address my remarks principally to section IX.

I am William F. Brooks, president and general counsel of the National Grain Trade Council. For the council and its members, may I express their and my appreciation for this opportunity to be heard on S. 3590.

My observations will be primarily directed toward title IX of the pending bill and its proposed amendments to the Agricultural Marketing Order and Agreement Act of 1937.

Section 905, amending section 8(c)(6) of that act would establish a collective bargaining procedure, so-called, for a number of agricultural commodities, excluding, however, a number of crops which are produced and marketed on a nation-wide basis. These include wheat, corn, grain sorghums, barley, rye, oats, rice, and soybeans.

We believe that the exclusion or exception of these commodities from the provisions of the collective bargaining provisions is wise. We would suggest that the committee give serious consideration to adding at least flaxseed to the list of excluded or excepted commodities.

We believe that sections 901 and 906 of S. 3590 should be amended to except and exclude the above-listed grains and oilseed from their scope.

We were pleased to hear the Secretary of Agriculture state yesterday before this committee that the Department would not object to excluding any commodities now listed in section 905 from the effect of

section 906 which will, if enacted, permit the imposition of marketing allotments. We believe that the reasons which prompted that observation and which are the basis for their exclusion and exception in section 905, apply with equal force to the exception of these commodities from the result sought by section 901.

Section 901 of the pending bill would amend section 8(c)(2) seven USCA 608(c)(2)—of the Agricultural Marketing Order and Agreement Act of 1937 to permit the Secretary to issue marketing orders covering among other commodities, wheat, corn, grain sorghums, oats, barley, rye, soybeans, or flaxseed. Most of these commodities, not now subject to the act, are marketed nationally and internationally. Wheat and soybeans in particular, and corn and grain sorghums in growing volume, are important items in our export trade in agricultural commodities.

Many of them are regarded as basic commodities and receive special treatment in the Food and Agricultural Act of 1965, the provisions of which would be extended for 4 years by S. 3590.

Most of these grains are traded at recognized futures markets where admittedly the discipline of the market place can and does influence production and does, in large degree, influence consumption. To superimpose on the basic programs covering these commodities the possibility, and at times perhaps the probability, of added intervention by the Government, would be detrimental to the entire grain marketing system from production through consumption, either at home or abroad.

All the basic grains now exempt from marketing orders are subject to inspection and grading under the United States Standards Act.

There is no need for them to come in for any special provision.

The producers of these nationally produced crops consumed in a nationwide market and in many instances most important to our overall international trade in agricultural commodities, already benefit from the many tools available to the Department of Agriculture, in particular nonrecourse price support loans.

Many of these were described for this committee yesterday by the Secretary. In our judgment they need not now be implemented. In our judgment to attempt to implement them now by extending the Agricultural Marketing Order and Agreement Act of 1937 to cover them would, in both the long and short run be damaging to the Nation's agricultural marketing system.

The CHAIRMAN. Do you interpret title IX as such that you would suggest that it be amplified so as to make sure that wheat is left out altogether? Is there any language that you would suggest?

Mr. BROOKS. The difficulty is that the amendment to section 1 of the act puts an exception to all of the exceptions that are already recited there. It is a little difficult to change that particular one. I would suggest that under no circumstances should these basic commodities be covered and that flaxseed be similarly treated. That is not a basic commodity. It is, however, a commodity subject to the loan program and should be exempt from marketing orders, marketing allotments or collective bargaining.

We recommend that flaxseed be exempt from collective bargaining in the bill. The Secretary said yesterday that he would not object to exceptions for the grains from market allotments. But the bill itself

would eliminate the exception they now enjoy under section 601, I believe, of the act. We think that should be retained.

I do not know how you can do it by amending this particular bill because, obviously, this is an attempt to blanket everything in.

The CHAIRMAN. The committee will certainly study it, and all of the suggestions made by you and others.

Mr. BROOKS. I know that they will.

The CHAIRMAN. As I tried to point out awhile ago, the reason why the committee has felt that the money paid by the Government should be much higher than is now provided—in other words, the idea was to put wheat on the same basis as other commodities. Now, in the case of cotton, I think Mr. Farrington mentioned cotton—you mentioned it in your statement, did you not?

Mr. FARRINGTON. Yes, sir; cotton payments.

The CHAIRMAN. What we did in respect to cotton was to do away with the two-price system, and to have just one price. The idea was that the consumer would benefit in the long run. As a matter of fact, the Secretary of Commerce came up here and said, "if you make cotton a one-price system, so that we can compete abroad, so that the textile mills can buy the cotton at world prices, the consumer will benefit." But it did not happen that way.

On the contrary, the record shows that cotton goods went up, instead of going down. I imagine the same thing would happen to wheat. It is not so much the price of wheat that governs the price of bread, but it is that which is in between, manufacturing, and those who deliver it, and those who handle it, after it is a finished product.

Mr. FARRINGTON. We would like to submit to you, Mr. Chairman, charts and tables to show that in the case of flour, the prices do follow very, very closely.

The CHAIRMAN. I have seen wheat at \$2.15 a bushel. And I paid the same for bread.

Mr. FARRINGTON. I am speaking of the price of flour.

The CHAIRMAN. I know that wheat goes into flour, which goes into bread.

We will make a part of the record at this point, without objection, a letter dated June 25, 1968, from the Chamber of Commerce of the United States.

(The letter above-referred to follows:)

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., June 25, 1968.

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

DEAR SENATOR ELLENDER: The Chamber of Commerce of the United States respectfully urges the Senate Committee on Agriculture and Forestry to reject proposals to extend the Food and Agriculture Act of 1965 beyond its present expiration date of December 31, 1969.

We have three reasons for this request:

1. For years academic, economic, business, Congressional authorities—and many farmers—have recognized that present farm programs are not responsive to the needs of those for whom they are supposedly designed, despite the fact that these programs involve an annual allocation of more than three billion tax dollars.
2. Modernization of the farm program—rather than extension of the present antiquated system—will in all probability lead to less federal subsidy.

In this time of economic and fiscal crisis, establishment of a new farm program is obviously the rational course.

3. The bill you now have before you—S. 3590—proposes to expand significantly the powers of the Secretary of Agriculture, in terms of his authority to regulate farm production and prices through expansion of the Marketing Order Program. There is little evidence to suggest that additional government control will solve the farm problem. On the contrary, evidence over the past three and one-half decades suggests precisely the opposite.

We recall, and applauded at the time, your stated intention earlier this year to give the farm support programs a thorough evaluation before taking action on them. By our testimony before your Committee on April 9, 1968, we tried to contribute to that evaluation process. (See page 291 of that hearing for the full statement and page 305 for the discussion of farm bargaining power.)

During our appearance before your Committee, you asked that we assist you by suggesting alternatives to existing programs. I am pleased to report to you that we are acting upon that request. The objective of the National Chamber's Agriculture Committee for 1968-69 is to draw up alternative programs, for at least three commodities, for presentation to the Congress in early 1969. It is our intent in drawing up these alternative programs, to take into account the problems of transition from existing programs to new programs and the small farm operator who cannot compete with the modern business farmer.

Thus we respectfully reiterate our request that your Committee not report a bill extending the Food and Agriculture Act of 1965 for four years beyond its current expiration date.

Sincerely,

DON A. GOODALL,

General Manager, Legislative Action, Chamber of Commerce of the United States.

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

(Whereupon, at 1:40 p.m., the committee adjourned, to reconvene at 10 a.m., on Wednesday, June 26, 1968.)

AGRICULTURAL ACT OF 1968

WEDNESDAY, JUNE 26, 1968

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

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

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

The CHAIRMAN. The committee will please come to order.

The committee is continuing the hearings on an extension of the Agricultural Act of 1965.

I understand that Mr. Lloyd J. Fairbanks, legislative representative of the National Farmers Organization, is not present—he will not appear in person, but permission is granted to him or Mr. Staley to file a statement.

(The statement is as follows:)

STATEMENT OF OREN LEE STALEY, PRESIDENT, NATIONAL FARMERS ORGANIZATION
REA, Mo.

Mr. Chairman and members of the committee, I am Oren Lee Staley, President, National Farmers Organization (NFO), Corning, Iowa, and I have with me our Legislative Representative, Lloyd Fairbanks.

We are here today to testify in behalf of our organization on S. 3590. First, however, I would like to make some general statements.

Farmers are very unhappy over the present low prices. They have deep feelings that the Congress of the United States does not understand their problems and further that the Congress is not greatly concerned with their problems.

We know that some of the members of this Committee have worked hard over the years to maintain farm income. We recognize that farmers must establish collective bargaining in order to compete in today's organized economy, but at the same time, the Congress of the United States has a responsibility to all the people of this nation.

We have supported all legislative programs and administrative policies that we felt would maintain and increase farm income.

The people of this nation are unsettled and disturbed. The strife and division within this nation, including riots, are largely due to the lack of recognition of peoples' problems.

With farm prices considerably lower than they were 20 years ago, with farm prices at 74% of parity, with agricultural investment being more than doubled in a few years' time and with costs continuing to rise because of increased prices on everything farmers have to buy, it is time that everyone takes notice of the situation and realizes that no one can be proud of what is happening to the farm income and to the family type farm.

The average age of farmers is continuing to rise and now it is nearing the 57 year mark in many areas. This means that the youth has left agriculture, or is

leaving because of low farm prices. This threatens to destroy the family type farm which is a vital part of a private ownership free enterprise society.

Corporate agriculture, bringing in large outside capital investment to agriculture, will soon replace the family type farm unless farm prices are greatly increased in the near future. This will add more distressed people to the cities.

Those who recommend the doing away of farm programs are recommending lower farm prices.

We support most of the provisions of S. 3590 not because it will make farmers happy or give them fair returns, but because it is probably the best that Congress will pass. There are, however, provisions within S. 3590 that need to be clarified or changed in our opinion.

We favor the four year extension of the Feed Grain Program, but we are strongly opposed to provisions that make it possible to use government controlled stock or payment-in-kind provisions that can be used to depress the market prices. The termination of agreements should be clarified.

We do not believe there should be any commodity excepted from the benefits of the proposed legislation. We agree that minimum prices cannot be established on commodities covered by price support programs. But, we believe farmers should have the right to decide whether a commodity should be under price supports or minimum price guarantee. In other words, we think that when producers of a given commodity petition, with sufficient strength, they should be given the right through a referendum vote to decide whether the commodity should be protected by price supports or by minimum prices and collective bargaining for higher prices. We have heard various groups claim that producers of the commodity which they happen to represent did not want to be included in any proposed bargaining legislation. We do not believe that any group in the United States is so well organized in any commodity that they can speak for producers of that commodity as a whole and we do not believe any group making this claim should have the right to exclude producers from making the choice themselves as to whether or not they should participate in any such program.

We do not agree that handlers of farm commodities should in any way be permitted to decide on minimum prices or other terms and conditions under which farm commodities shall be sold. We believe this right belongs exclusively to the producers of these commodities.

It is our opinion that the first stipulation in establishment of minimum prices should be that producers must be paid a price that would at least reflect a cost of production minimum. Producers must submit to whatever production allotment is found to be necessary to guarantee this minimum cost of production price. Then other factors should be considered in finally arriving at the minimum price but farmers should never be asked to produce at prices below cost of production.

We believe that the Congress should not hesitate to give farmers the right for self determination on allotments.

We do not believe that collective bargaining can be super-imposed on farmers. We believe that farmers must have the desire and determination to carry out collective bargaining through their own efforts. We do, however, support additional tools that can be used.

We feel that this nation does need a strategic food reserve, but it should be a true reserve where the supply can not be used to depress farm prices.

We thank you for the opportunity to testify before this committee and if you have any questions we will be glad to answer them.

The CHAIRMAN. Mr. York, will you step forward, please, and we will be glad to hear from you now.

I notice you have a prepared statement.

Mr. YORK. Yes.

The CHAIRMAN. You may proceed.

STATEMENT OF JOHN C. YORK, GENERAL MANAGER, EASTERN MILK PRODUCERS COOPERATIVE ASSOCIATION, INC., SYRACUSE, N.Y.

Mr. YORK. Mr. Chairman and members of the committee, I am the general manager of Eastern Milk Producers Cooperative Associ-

ation, Inc., on whose behalf I am submitting this statement. Our offices are located in Syracuse, N. Y.

One again, Mr. Chairman, I should like to express our thanks to you, sir, and to the members of the committee for the opportunity to appear before you today.

We have been here before. As the record of this committee shows, I testified at the hearing on April 3 of this year. Hence, I will not repeat what I then said about the background of our organization, except to reiterate that we are a milk-bargaining cooperative with a membership of about 10,000 dairy farmers.

I hope that the committee will not consider it a lack of modesty on our part, but I would like to say that we are probably the largest milk-bargaining cooperative in the United States. I might say that there are some 20 cooperative organizations that are affiliated with the Eastern Milk Producers Cooperative Association with independent corporate entities. Although we do have an interest in the operation of some milk plants, we are not processors, and our primary function and interest is to act as a bargaining cooperative. I emphasize this aspect of our work because S. 3590, which is the principal subject of this hearing, deals among other things, with strengthening the bargaining power of milk producers.

To begin with, Mr. Chairman, I should like to say that our cooperative association endorses title I of S. 3590, which would have the effect of extending, on a permanent basis, the authority for class I base plans.

As I indicated on April 3, the adoption of class I base plans has had a slow start, probably because milk production has been going down, thereby relieving to some extent the need for the plan. In only one market has the authority been invoked, and that is in the Puget Sound market. It is too soon to evaluate the results of the plan there.

In the New York-New Jersey marketing area, in which we are decisively involved, producers are only now beginning to seriously consider the plan. If it develops that producers favor it, and if the necessary administrative steps are taken for establishing it, it is likely that the plan would not become effective before January 1, 1969. That would be only 1 year before the existing authority expires. There would, in that case, hardly be sufficient time to test the worth of the plan. More time would be needed. For that reason, we strongly favor the provisions of title I of the bill.

And now I should like to address myself to section 903 of S. 3590. This section deals with collective bargaining for milk prices. As a milk-bargaining cooperative, we would ordinarily welcome legislation which would improve our bargaining power, and we have said this before. Unfortunately, however, section 903 would not do that. Those who think otherwise delude themselves. They would sell their birth-right for a mess of pottage.

The thought that, because improved bargaining power has helped the worker, it would also help the dairy farmers is an illusion. The dairy farmer cannot withhold his milk from the market the way a worker can withhold his labor from his employer. The idea of farmer-bargaining power based on employer-employee practices lacks imagination. The collective-bargaining provisions embodied in section 903 mimic a solution which has no relevance to the farm problem. We see no creativity in it, but only sterility.

As a preliminary remark, Mr. Chairman, I should like to say—and I have said this before—if the President's suggestion for collective-bargaining legislation, which he advanced in the farm message of February 27, 1968, it intended to raise prices to fluid-milk producers subject to Federal milk orders, then there is no need for new legislation. The authority to raise fluid-milk prices already exists in the Agricultural Marketing Agreement Act of 1937. All that is needed is the will of the price fixers to raise prices. In fact, Eastern Milk Producers Cooperative is urging upon them the adoption of an escalator formula to be included in the northeastern milk marketing orders that would adjust prices to changing economic conditions. This formula would increase class I prices in our markets.

On the other hand, if the proposed plan of collective bargaining is not intended to bring about higher prices, producers will conclude that the whole thing has been an exercise in futility. Worse still, there are those who fear that the proposed plan for collective bargaining might in fact lower prices, rather than raise them.

This is the first reason why we look with disfavor upon section 903.

Another reason is our association has no confidence in the process of electing producer representatives to bargain with handlers. How is a producer to judge the competence of a man running for election as producer representative?

How is a producer to know in what manner the elected producers representatives would perform against handler representatives whose very livelihood would depend upon their performance in negotiations, and who would be prepared to sit day and night for weeks on end to gain their point? For all we know, the men elected as producer representatives might feel that it would be a good thing to lower prices to producers.

This is not idle speculation. In our principal market—the New York-New Jersey market—officials of operating cooperatives have, whenever the subject has arisen, occasionally urged lower prices for manufacturing milk. We ask, what would happen if one of these officials were selected to represent producers?

The outcome of the negotiations in that case would be disastrous. Collective bargaining would turn into a cruel hoax.

There is a further difficulty in the collective-bargaining proposal embodied in section 903. In the event of a stalemate between producer and handler representatives, an arbitrator would likely be chosen to resolve the conflict. Again, we ask, should our fate be placed in the hands of some unknown arbitrator? Even if he were a public personality with a clean record for impartiality, who would be able to define his motives and innermost thoughts? For all we know, he may also feel that lowering prices would be a good thing for producers. No wonder then that labor unions have generally opposed the arbitration of labor disputes.

In a word, Mr. Chairman, we have no wish to play Russian roulette and to gamble with the economic welfare of our member-producers. Hence, for the present, we prefer to rely on the milk marketing order program, to make our own case under that program, through our own representatives, seeking redress by recourse to established procedures whenever the decisions of the U.S. Department of Agriculture seem unfair. In time, we hope that better ways will be devised, ways that

recognize that those who work the soil are entitled to a greater share in the national prosperity.

As an incidental comment, Mr. Chairman, I should like to say that irrespective of the action by the committee on the collective-bargaining issue, we hope that the committee will not alter the present provisions of the Agricultural Marketing Agreement Act of 1937, which authorize the inclusion in milk marketing orders of formulas for the establishment of milk prices. The milk marketing orders have always included some price formulas, at least for manufacturing milk, and in recent years also for fluid milk. It is our view that nothing should be done in S. 3590 that would interfere with the continued use of pricing formulas. In fact, the act in that area should be strengthened.

With your permission, Mr. Chairman, I should now like to say a few words about four bills introduced by Senator McGovern, since there always exists the possibility that one or more of these bills might end up as an amendment to S. 1390 when the bill goes through the legislative mill.

These four bills were obviously introduced by request. Drafts of the bills were included in the statement of the National Milk Producers Federation, which statement was presented before this committee on April 3. We have no information as to Senator McGovern's personal position on the bills, and we certainly are not critical of his action in introducing them.

The first of the four bills, numbered S. 3432, would alter those provisions of the 1965 act which authorize the establishment of class I base plans. The bill would also legalize the adoption of the so-called Louisville plan, under which part of the returns to milk producers are held back during high-production months, and are repaid during low-production months.

With respect to the proposed changes in the base plan provisions, it is our view that the changes, even if they had merit, would be premature. The class I base plan is operating at present in only one area, as I pointed out previously. Would it not be better to wait for the results of the plan before undertaking changes in the enabling legislation.

We are perplexed why these changes are proposed at all. There is no information that any problem has arisen which calls for them. On the other hand, everything that is proposed is designed to weaken the operation of the class I base plan wherever and whenever it might be adopted.

With regard to the Louisville plan, which would be authorized by the language in clause (d), it should be pointed out that many of the Federal orders located in the Northeast, as well as orders for many other areas, already embody provisions designed to carry out that plan. While there is some doubt about its legality, there has been no decision by the Federal courts that the plan is invalid.

Presumably, the proposed language in clause (d) anticipates an attack upon the plan and an adverse decision by the courts. In our view we do not feel that it is good public policy for Congress to clothe a provision with legality, when its legality may be in doubt, without giving the Federal courts a chance to first decide the issue. For these reasons, we oppose all of the provisions of S. 3432.

The second of Senator McGovern's bills is S. 3433, which would authorize deductions from producers' checks for the purpose of financing marketing research and development programs, as well as for the financing of advertising, sales promotion, education, and related schemes.

This is a controversial issue in the Northeast. In the past, a majority of milk producers in that market have opposed compulsory deductions of that type. Hence, in the light of that, it would be wrong to force producers to finance that sort of thing, to say nothing about the problems of administering such a program.

The third of the bills is S. 3434. This bill would require producers who market their milk under milk marketing orders to exhaust certain administrative remedies before taking their complaints to a Federal court.

We are at a loss to see where this bill would help milk producers. Where would be the gain from forcing a milk producer to go through a costly administrative procedure before petitioning a Federal court? The matter puzzles the will. The bill should be defeated.

The final bill in this is S. 3435. This bill would permit an inclusion in milk marketing orders of provisions designed to authorize the reimbursement of cooperative associations for services performed for all producers in the market. Funds for such reimbursement would be obtained by compulsory deductions from producers' returns.

A provision of this kind is now in the New York-New Jersey milk marketing order, and has been there from the beginning. It has been challenged in the Federal courts in the past and has been sustained though the provision continues to be a source of controversy and litigation. Our own cooperative association, as one of the largest in the market, is entitled to, and receives, the reimbursements which S. 3435 would authorize.

Our association is nevertheless opposed to the bill. We believe it to be poor public policy for Congress to rush in and sanctify every provision in an administrative order just because it might be or is challenged. If the provision lacks legality, we should find out about it. Congress can then decide, on the basis of what the Federal courts have said, whether it wishes to sanction the challenged provision through a new legislative enactment. Moreover, cooperatives should get their income from dues, services performed, such as described for the market which, in many cases, may be performed by the handler, and they, too, might be entitled to such payments.

It has been said that we live under a system of law. A corollary of that is that, whenever the action by an administrative official is challenged, it should undergo the test of legality. We are opposed to a policy of whitewashing the acts of the executive department through legislative action, every time such acts are challenged. Moreover, as I indicated before, we are opposed to compulsory deduction, and particularly in such case where the money is paid to cooperatives because it can tarnish the image of cooperatives. For these reasons, we are opposed to S. 3435.

Mr. Chairman, having expressed our opposition to all of the four bills introduced by Senator McGovern, I should like to say that I regret finding ourselves in what must appear to be an obstructive

position. That, however, is not our purpose. The position of the opponent is not an enviable one. It pains us to play this part.

The fact remains, however, that all of the four bills I have discussed originate from one source—all four bills contain amendments to the Agricultural Marketing Agreement Act of 1937. Hence, what we are opposing, on grounds which I spelled out, is not really four distinct measures, but a group of provisions which would have the effect of changing the philosophy of the program embodied in the Agricultural Marketing Agreement Act of 1937. The objective to bring about such a change is the thing which we oppose.

Mr. Chairman, this concludes my statement. I should like to thank you, sir, and the members of the committee, for being so patient with me and for hearing me out.

The CHAIRMAN. We are glad to have had your statement.

What do you consider the main objective of your cooperative?

You said that you are a bargaining cooperative, as I understand it. You bargain with whom? I would like to know about that.

Mr. YORK. We buy milk from about 90 different milk handlers in every one of the major markets in the Northeast and many of the secondary markets, as well as markets that are regulated under the terms and provisions of State orders.

Our objective is to assure our members maximum returns for their product, to be sure that their weights are correct, to assure them that their butterfat tests are correct, and to assure them that they are always getting the maximum prices under competitive conditions in the area.

The CHAIRMAN. Is the membership composed solely of users or have you cooperatives that belong to your cooperative?

Mr. YORK. We have about 20 individual cooperatives that are affiliated with our major cooperatives, and each one of those cooperatives are structured the same as the Eastern Milk Producers Cooperative, in that we are a bargaining cooperative. We are not engaged in packaging milk and selling it on the streets or in processing milk and selling it in international or national trade.

The CHAIRMAN. You say that you are a bargaining cooperative.

With whom do you bargain?

Mr. YORK. We bargain in two ways: Our first system of bargaining is to establish prices at the maximum level under the procedures as established by the Marketing Agreement Act of 1937, in that we petition the Federal Government and introduce evidence under oath, technical evidence, as to how we see the conditions in our area, in behalf of our members, before the Secretary of Agriculture.

The CHAIRMAN. And then he fixes the prices?

Mr. YORK. He then fixes the prices.

The CHAIRMAN. The minimum?

Mr. YORK. The minimum, but we never bargain for minimum prices; we bargain for maximum prices. The act spells out that the price of milk shall take into recognition the price of feed and other conditions, as well as being in the public interest, and we feel that farmers in the dairy industry and in the State of New York are in the public interest. It is the largest industry in New York State.

The CHAIRMAN. Well, now, you proceed under the same law that we are now amending, so as to expand its functions to include other commodities. How would that affect you?

Mr. YORK. You mean the sanctions of the law as to commodities?

The CHAIRMAN. Yes. In other words, you have to follow the procedure laid out—no action can be taken unless the majority asks for it, and then after agreements are entered into, say, by two-thirds—

Mr. YORK. Precisely.

The CHAIRMAN. Do you object to that?

Mr. YORK. We do not object to the application of the principles of the act, as it might apply to other commodities. We do not object to that.

The CHAIRMAN. Do you think that because you have the act of 1937 that deals primarily with milk, that that is sufficient?

Mr. YORK. It is sufficient so far as the people I represent are concerned; it is sufficient so far as the dairy farmers are concerned. We want to say to you that there is sufficient authority, sufficient mechanism there, to achieve these prices, as long as the Secretary of Agriculture interprets the act according to the testimony and according to the act—the way the act is written.

The CHAIRMAN. He is supposed to do that; that is his function.

Mr. YORK. For example, there have been prices introduced—for example, there is a hearing today in Cleveland in which the Secretary issued an order, and before the order came out, there has to be another hearing to amend the order to raise the price before the order goes into effect. And I say that there is authority right there to get these prices. All we have to do is to go after them.

The CHAIRMAN. Well, the procedure is somewhat similar to what you could do under this act, is it not, after it is amended? In other words, it would have to come from the producers themselves to start it, to obtain any order for bargaining?

Mr. YORK. Yes, sir. The initiating procedure comes, obviously, from the producers.

If you are talking about amending the act along the lines of this cooperative collective bargaining bill—

The CHAIRMAN. That is what I am talking about. I am just trying to get the difference, if I can, between the present procedure and how you would be affected under this new procedure.

Mr. YORK. Well, the new procedure—

The CHAIRMAN. Of course, I imagine you could maintain your present procedures that you now use.

Mr. YORK. I would imagine that the act, if it was amended the way it is being contemplated, that the matter of the Federal milk hearing, the way we currently have it, would be a farce. The procedure would be to have a committee that would commence to negotiate prices, and then if they could not establish prices it would go to an arbitrator. I do not see the sense of a hearing, a milk hearing, and the procedures that apply in a milk hearing.

The CHAIRMAN. When you speak of being a bargaining agent, who do you bargain with?

I would like to put that in the record.

In other words, that is what I am trying to find out. What would be the difference? You bargain with whom now?

Under this, you would bargain with the handlers?

Mr. YORK. I would like to recite what I recall Dr. Cunningham Cornell said. He said that with the adoption of the Federal milk marketing orders the bargaining for prices of milk shifted from the conference table to the hearing room, and I say that is right.

Now that we have Federal milk marketing orders, we bargain in the hearing room with the Secretary of Agriculture, with the public, whoever enters into the hearing, and we introduce technical evidence by people who are trained in this area.

Over and above that, sir, we still do some bargaining with individual handlers wherever competitive conditions call for some price modification within a given area, maybe due to weather conditions, maybe due to some other conditions that call for some increase over and above the Federal order price, but we do not bargain on a marketwide basis with other handlers.

We have had a pool in the New York market, but we know what the Attorney General's attitude was on that, and we know how thin-iced a program that was and how short it lived.

We want the prices established under the Federal order, because we know then we have some authority upon which the prices are established and some assurance that the producers will get those prices.

The CHAIRMAN. You say that you bargain with the handlers.

When you do that, in order to obtain a better price, you mean under the Secretary of Agriculture?

Mr. YORK. No. There are some occasions where we may write and enter into a separate contract with a given handler to establish some modifications in the prices that he is paying over and above the required order prices. This may be prices that deal with a different system of hauling the milk to the producers, and we may be able to haul it more efficiently, and, consequently, we pay the producers a little more money over and above what the order may provide. Or we may be in a position to do quality control work with the producers at less money than the handlers—and in that way return more money to the producers.

In some instances, there may be a competitive condition that might arise as a result of a shortage of milk in the local area. I have seen conditions where the local drought conditions have called for increasing the price in one part of a milkshed as opposed to the milkshed as a whole.

So, we have been engaged with the handlers who procure milk in that local area to acquire a little higher price for the producers in those given areas. The prices are achieved through the Federal order program as a whole, however.

The CHAIRMAN. You have a milk expert right here.

Senator AIKEN. There is no such thing, Mr. Chairman. A perfect dairy expert, we do not have.

You referred to the fact that only one area had taken advantage of or had voted for the base rating plan up to the present time, and that is one out of about 73 in all. This was the Puget Sound area in the State of Washington. The largest buyer of milk in that area, I understand, is the Carnation Milk Co., which has a large evaporated milk plant there. Had the President not taken emergency action a couple of weeks ago and slowed down the tremendous influx of sub-

sidized foreign canned milk into this country, it goes without saying that the Carnation Co. would have to close that milk plant. They simply could not compete under those conditions.

Now, suppose that the Carnation Co., the largest customer-user of milk in that area, had closed its plant; how would the base plan have worked to the advantage of the producers in that area?

Mr. YORK. Well, sir, I think I will have to answer that question by first trying to present my views as to what may have caused the Carnation plant to close. I am equally grieved, as you are, I think, about the influx of foreign dairy products into this country. I was concerned about the fact that the Common Market subsidizes cheese coming into this country 15 cents a pound. I am very much concerned about that.

Senator AIKEN. They are subsidizing their industry at about the rate of \$1 billion a year, subsidizing exports to the United States at the rate of about 25 percent of the value of the exports; and this is stiff competition to the canned milk processors in the United States, because they support the price of milk over there at 39 cents a hundred-weight more than it is supported in this country. And then they subsidize the dumping of the product on us when they get a tremendous surplus.

They would have closed virtually every plant in the United States producing evaporated or condensed milk if the President had not taken this emergency action.

Mr. YORK. What I am saying is——

Senator AIKEN. And that is what I asked you about: How would the base rating plan have operated?

I do not know what percentage of the surplus milk the Carnation Milk Co. purchased in the Puget Sound area. Assuming that it is 25 percent of the total production, how would the base rating plan have operated then?

Mr. YORK. First, I want to say that I think that there is an overall basic problem; and that is, I think that regardless of what plan may be in effect in any part of the country, even the Federal order program, that it can be adversely affected by conditions, as you pointed out; and I think that is the problem that we have to come to grips with.

You directly asked me what would be the impact of the imports on the Carnation milk plant. I am not that familiar with the application. While I have been to Puget Sound to examine their conditions out there, I am not familiar with the application of the base plan in the Puget Sound market as it applies to the Carnation Co. milk plant, but if it is a manufacturing plant, it would appear to me that this would not have any effect on the conditions in that market. But I am not endorsing the idea of imports to ruin these markets.

Senator AIKEN. Suppose that we lose 25 percent of the market, would the bases be reduced proportionately?

Mr. YORK. The bases are predicated on the class I sales. If this is surplus milk that is being used in that market, why, I do not see how it has any application.

Senator AIKEN. Carnation used the surplus class I milk. Of course, it came into the picture.

Mr. YORK. Not on the application of each individual producer's base. Each producer would have an established base.

Senator AIKEN. You mean that the closing down of the Carnation plant would not have had any effect on the base plan?

Mr. YORK. Not on the bases.

Senator AIKEN. With the loss of a market for 25 percent of the production—and I am assuming that the Carnation Co. used 25 percent—probably it is more than that, I think—that would mean the class I base would have had to be cut proportionately, would it not?

Mr. YORK. There may be a problem.

Senator AIKEN. What would they do with the milk?

Mr. YORK. That is the point. I think that the class I base would remain, but there would be a problem of the disposal of that surplus milk which is a part of that market that is ordinarily used by the Carnation Co.

Senator AIKEN. They would have 25 percent less of class I milk being used, and would not that result in reducing the base?

Mr. YORK. It could result in reducing the total return to the producers.

Senator AIKEN. Could they have sold their bases to producers in other parts of the country who might have a larger class I market under the base-rating plan?

Mr. YORK. There would be an alternative to this, possibly, and that is, in the event that the Carnation plant was closed—and I do not know the structure of the market out there—the surplus milk from that market might be utilized among other manufacturing plants in the area.

Senator AIKEN. No; because other manufacturing plants in the area would be in the same boat if it meant the end of evaporated and condensed milk business in this country. They would have no market.

Mr. YORK. I think that your question applies not only to the impact that it may have on the returns to the producers in a market where class I base plan exists, but it also has the same impact on any other market, because it could displace milk that was being utilized in a manner or fashion in the United States.

Senator AIKEN. I think that all of the plants would have to close. I think that Carnation has about 14 plants in all, and most of them use class I milk surplus; but supposing that their producers lost 25 percent of their market, assuming that the New Orleans area had a demand for more class I milk, could the dairymen of the Puget Sound area then have sold part of their base rating to the dairymen in the New Orleans area?

Mr. YORK. Sir, I am not that familiar with the terms of it.

Senator AIKEN. Of course, they could, and that is one matter that has to be considered in connection with base rating, that is, the authority to sell your rating to someone in another part of the country. That would work out fine for the small dairyman, say, with 15 or 20 cows, who is being put out of business. They could sell their base rating if they could find someone some place else to buy, and they would get that base value addition to the value of the land. I think that has to be considered.

Mr. YORK. I think, sir, there are a lot of arguments that have been mentioned in opposition to the class I base plan as well as arguments

in favor of it. I would say this, if I may: As long as we are having more and more marketwide pools across the country, like Dr. Spencer pointed out, a class I base plan is a refinement of prices under a marketwide pool. It gives the producer the choice, so that he can produce milk for the market and not be hurt if he does not want to produce it for the manufacturing market.

Under a marketwide pool, without a class I base plan, the producer may try to produce the milk for the fluid needs of the market, but he does not have any choice, because he is blended together with everyone else, and, consequently, if the producer wants this opportunity, all I am saying is that the act should be extended to give them that opportunity.

Senator AIKEN. You do not like the collective-bargaining section, title IX.

Is your like for title I more than your dislike for title IX of this bill, because if you get one you are likely to get the other? That is the trouble with these omnibus bills, Mr. Chairman.

I get requests to vote for them, because there is one provision that the applicant likes, and he does not stop to think that he is going to get three provisions that he would not like at all.

The CHAIRMAN. As I understand this whole proposal, it is simply to give to the milk producers more tools to work with.

Senator AIKEN. And collective bargaining, too.

The CHAIRMAN. Yes, sir; and if they do not want it, they do not have to take it. It is optional with them. The act remains as is, that is, insofar as the present law is concerned, that is not changed.

Mr. YORK. So, sometimes, these tools can be a hazard to us, sir. Consequently, we suggest the continuation of the act; even strengthening the formula provisions of the act would be better tools for us.

The CHAIRMAN. You mean, leave the others out, and then simply proceed to extend the act as is?

Mr. YORK. This would be what I believe would be the position of the eastern milk producers, what their position would be.

The CHAIRMAN. You have a point there. I wish to say that quite a few witnesses have testified to that effect, to renew this—Let us keep on with the same law we now have, and if we need any amendments later, why, we can get them, but since the law has worked pretty well, why change it?

That is the thinking.

Mr. YORK. That is the way I feel—I feel it would be better.

The CHAIRMAN. I think that is a good point. Many witnesses have appeared here and have so stated that they see no reason for adding to or subtracting from what we have now.

Senator AIKEN. Some of the tools proposed to be offered to the farmer would be like giving him a pitchfork with which to shovel cement.

The CHAIRMAN. He could shovel it if it was hard enough.

Senator Young?

Senator YOUNG. I have a few questions.

There are some interests in this country advocating the abolishing of all price supports. What do you think about dairy price supports?

Do you think they should be continued or abolished?

Mr. YORK. I think this is a basic consensus.

Senator YOUNG. The price support does become a part of your milk marketing order.

Mr. YORK. It is a basic consensus, yes.

Senator YOUNG. I noticed that you are opposed to the election by producers of bargaining representatives in the milk industry.

How is your organization determined?

Do the farmers vote on it?

By what procedure does your organization represent producers?

Mr. YORK. The members sign a membership agreement, and then those members elect delegates, and, then, of course, the delegates select the board of directors.

The board of directors establish the policy which is ratified by the delegate body.

The members, of course, are grouped into local units.

There are 190 local units in the association.

The board then employs a manager, and he, of course, is responsible to carry out the policies of the association.

Senator YOUNG. That is a rather complicated system. This is not done by a direct vote of the producers themselves.

Mr. YORK. The producers, of course, authorize the board or directors, and the delegate body, to vote on the basic principles of the association.

Senator YOUNG. I notice that you are opposed to allowing deductions for promotional purposes. We have deductions for promotion in wheat and in beef and in wool. They use this money very effectively in increasing the market for wheat and wool and beef products. I do not understand why you are opposed to it. It seems to me that you could do a much better job of persuading people to use pure milk products, rather than substitutes. Much more could be done to promote greater usage of milk products.

Mr. YORK. Sir, I did say in my statement several reasons. Perhaps I might elaborate a minute on them.

In the first place, one suggests the need for compulsory deductions to get all producers to participate. Then, the vehicle of the Federal order program is not the right vehicle, because only about 50 percent of the milk in the country is regulated in the order. There would be a lot of producers in the northeast who would belabor other producers who are not participating in the compulsory program.

No. 2, we feel that a compulsory program that would compel producers to participate might very well load the full expense on the producers to advertise and it might relieve some of the responsibilities of the handlers in the industry to participate in financing promotions.

No. 3, there is a serious problem as to the administration of a compulsory program of funds collected by the Federal Government. The Federal Government collects these funds. They are going to be the custodian of these funds, and we question the advisability of farming out money that is collected from farmers to be put in the hands of a Government agency, for the distribution of these funds. There can be committees appointed and boards set up, but in the last analysis it is just cooperative payments—they are handled by the Federal Government.

Senator YOUNG. With all of the farmers in the United States, I do think that some way, somehow you would be doing a better job of

promoting the use of dairy products. I think farmers would be perfectly willing to pay a part of the cost of that. I hear many television commercials advocating substitutes for almost every farm commodity, very little advertising for pure farm commodities. I think the farmer should do more to promote the use of his own commodity. We do it effectively in wheat, beef, and wool. I do not know why it would not work for milk products. That is all, Mr. Chairman.

Mr. YORK. I just want to express to you the thought that there are a lot of producers who feel that just because they grow some tree in the woods that they should not go into the business of window sills and door sills manufactured from wood.

There are dairy farmers who feel they have enough expenses as it is and that they should not be compelled to advertise.

On the other hand, we have used the positive-letter approach in the New York market and in the new inland market which has been rather successful, and which still give the producer an element of choice, and that is one thing that I am sure many farmers would like to preserve in our democratic system of government—the element of choice.

Senator YOUNG. The story needs to be told more about the substitutes that are being imported and the better quality of pure milk products, but nobody is telling the story. You people spend a lot of money to keep your own organization in business, but you do darn little to promote the dairy industry with consumers nationwide.

Mr. YORK. There is an ADA dairy council, and they have a sizable budget, and they do promote the dairy industry.

There are also individual handlers who spend fabulous amounts of money.

For example, I was in Boston yesterday, and I heard the head of a company make the comment—I do not know what they spend, but they said they had a substantial amount of budget that goes for milk promotion. Let them continue this.

Senator YOUNG. I listen to the television and to radio, but I have yet to hear some commercials promoting the use of dairy products.

That is all.

The CHAIRMAN. You stated to Senator Young that the representatives were elected by the producers who attend to the details of the organization, the management. Does that mean that these representatives are members of your cooperative or are they members of the other 10 cooperatives, those who do this?

Mr. YORK. Sir, they are both. These other 20 cooperatives are under plans like with the Eastern Milk Producers, as an affiliated organization. They send to our delegate body delegates, so that when the delegate body votes, for example, on the Louisville plan, then it is a vote of a composite of our immediate membership as well as our affiliated membership.

The CHAIRMAN. In casting the vote, does one cooperative cast it for all of its members—is that the way it works?

Mr. YORK. If it is a rollcall vote, each delegate casts the number of votes for the people that the delegate represents back home as well as the cooperative the delegate represents back home.

If it is a simple show-of-hands vote, then it is one vote for each person.

The CHAIRMAN. So that you have indirectly the membership of the cooperative voting but represented by the cooperative?

Mr. YORK. By the delegates. And then the delegates, of course, select directors and the directors meet every month and set the general policy of the association that I have to carry out.

The CHAIRMAN. Senator Miller, have you any questions?

Senator MILLER. My questions are somewhat related to those of Senator Young.

You object to Senator McGovern's bills, I note, and in particular to S. 3433 which relates to checkoffs for financing market promotion programs, and you state that this is a controversial issue in the Northeast, that in the past the majority of milk producers have been opposed to such, and you further state, "Hence, in the light of that, it would be wrong to force producers to finance that sort of thing, to say nothing about the problems of administering such a program."

I have here a copy of Senator McGovern's bill, S. 3433, and at the bottom of page 2, starting there, it reads:

Programs authorized by this subparagraph may be either local or national in scope, or both.

And, I am wondering how you would feel if that language were changed to read:

Programs authorized by this subparagraph shall be confined to the locality in which producers' contributions are authorized.

By so doing, avoiding the problem of the Northeast people being brought into the situation which they do not wish to be brought into; would that remove your objection to this bill?

Mr. YORK. Well, I certainly cannot speak for the producers in other parts of the country and—

Senator MILLER. You are speaking of the producers that you represent here. As to the McGovern bill, you stated the objection to the bill, and I understand the basis very well, but I am suggesting that by modifying the McGovern bill in the manner in which I have suggested, it would appear to remove the basis for your objection.

Mr. YORK. On that particular point, in its application to the Northeast, but as to the other features of the compensatory program, it would still not remove our objections.

Senator MILLER. The only feature that you mentioned, I believe, was to point out that there was a controversial issue in the Northeast. You point out that the majority of the milk producers up there do not want to have a compulsory system of that type. I presume that if they did not, they would not go for it; that they would not have them, but in order to avoid the problem of having some producer deprived of the benefit of national advertising, when they are not making any check-offs, it would seem to me that by modifying the McGovern bill to provide that the program authorized by the bill shall be confined to the locality in which the producers' contributions are authorized would remove that objection. That is what I am seeking here. If the producers in the area covered by your membership did decide to go ahead with a checkoff, they would know then that the advertising and the promotional programs would be confined to that locality and they would not be deluded by being used in the Northeast, for example.

What would be wrong with that?

Mr. YORK. I understand the delineation, the situation. I do still feel that there is some danger that once legislation like this is passed, pressures can be applied against the producers who desire to make such a program apply.

Senator AIKEN. I think it would run into some difficulties in States where the State's constitution prohibits compulsory checkoffs.

Mr. YORK. Yes, sir.

Senator AIKEN. Vermont has a State law on checkoffs, but some States have constitutional prohibitions as to what you do unless the Federal law would override the State constitution.

Senator MILLER. On that point, the bill reads:

Provision may be made in the order to exempt or allow suitable adjustments or credits in connection with, milk in which a mandatory checkoff for advertising or research is required under the authority of any State law.

I suppose the trouble with that is that the language is not "shall."

Mr. YORK. I presume that you can write the law so that it can take care of the conditions as they may exist from State to State. I am not familiar with the laws within each State.

Pennsylvania, for example, right now is discussing such a law.

Senator MILLER. The point I want to make, Mr. York, is that, as I understand your objection to these, I am just saying what might be done by way of reconciling these objections with the bill. There are some people who feel strongly in favor of this, and I know there are others who feel very strongly against it. Maybe we can bring the two sides together by modifying the bill. That is all I am seeking information about here.

Mr. YORK. I want to put one other point out here, and that is that this is very unfortunate, but in discussion with regard to the contemplated compulsory regulation, it has inadvertently caused producers, who otherwise would be contributing to a voluntary program, to take a negative attitude on the voluntary program. I think that we could accomplish this objective very smoothly within our dairy markets with regard to milk, if a real out-and-out effort were used by our organizations to get their membership to participate in the voluntary program, but when some organizations talk today about a compulsory program and the next day they are talking about a voluntary program, the producers are confused.

If we would just forget about the compulsory aspect and offer to put our shoulders together as to what has been done in other markets, you could get 90-percent participation on a voluntary basis which, I think, is a very good participation.

Senator MILLER. What has been your record with regard to that?

Mr. YORK. I would say that our membership is participating on a voluntary basis between 75 and 80 percent—who are participating on a voluntary basis.

Senator MILLER. Thank you very much. No further questions.

Senator AIKEN. The participation rate is a little more in New England.

The CHAIRMAN. Thank you very much.

Mr. Frank Frazier, executive vice president, National Broiler Council, desires to have a statement filed. Permission is granted for him to do so.

(The statement is as follows:)

STATEMENT OF R. FRANK FRAZIER, EXECUTIVE VICE PRESIDENT, NATIONAL BROILER COUNCIL

The National Broiler Council appreciates the opportunity to submit this statement in opposition to Title IX of S. 3590. NBC is a nonprofit trade association representing all segments of the vertically integrated U.S. broiler industry. Its membership is comprised of firms producing and marketing approximately 65 per cent of the broilers sold in the Nation. Our opposition is authorized by the following policy adopted in January by the Council's Board of Directors: "The Council opposes all marketing orders in the broiler industry and in related poultry industries as being hostile to a competitive market."

In his testimony before this committee on June 24, Secretary Freeman stated that administration support for Title IX is founded on the desire to establish a firm base for stabilizing prices, assure adequate supplies of agricultural commodities and maintain an adequate farm income. Stated another way, to the broiler grower these goals are: (1) insulation from market risk; (2) an assured market for his product; and (3) insuring a reasonable return for capital and labor. We do not disagree with these objectives; rather we believe they can be and are better served by the creative force of competition and individual choice than by the regulation of government through compulsory marketing orders providing for supply management and mandatory uniformly binding collective price bargaining. Further understanding of the basis for the National Broiler Council's opposition to Title IX must be based on an understanding of conditions and performance in the modern, vertically integrated broiler industry.

Vertical integration began with contract farming in the broiler industry in the 1930's and achieved its most significant expansion in the 1950s. Today, the broiler industry is almost entirely vertically integrated. Contrary to some opinions, the system of vertical integration as it affects the farmer was not imposed from above by feed manufacturers, processors or other non-farm segments of the industry, but was developed initially at the impetus of growers who earnestly sought some relief from the risks of a volatile broiler market. The system spread rapidly because it was effective in this regard and because it permitted the optimum utilization of science, technology and other resources of all segments of the industry. According to the National Commission on Food Marketing, vertical integration and the evolution of the broiler industry had the following effect:

"Many underemployed farmers, principally in the southeastern United States, were presented with a new opportunity—to produce chickens on contract—if they could obtain the capital to build housing facilities. Contracting firms, local banks, Production Credit Associations, and other lending institutions were willing to provide capital. Many farmers constructed houses and began to produce broilers under contract. Generally, the grower furnished the land, buildings, equipment, water, electricity, and labor. The contracting firm provided the chicks, feed, and other inputs, including management."

Competition among broiler integrators for efficient growers is intense. A study conducted in 1966 by Eastern Market Research Service discloses that a broiler grower could select, on the average, from 8.7 contractors in Georgia and 8.0 contractors in Arkansas in choosing his business partner. Nor is this figure merely based on opinion, since the same survey shows that 49 per cent of the growers interviewed in Georgia and 39 per cent of those interviewed in Arkansas had changed contractors within the five years preceding the study. This condition has produced competitive grower contracts which provide in most instances for guaranteed minimum payments for grower services and facilities during the grow-out period and which, also in most instances, provide incentive payments for efficient performance. It is also particularly noteworthy that growers were insulated from a major part of the effect of the price recession that prevailed in the industry during much of 1966 and 1967. Thus, with regard to the first policy objective of insulation of growers from market risk, vertical integration in the broiler industry has made substantial progress.

The system of vertical integration has, in our opinion, established an unprecedented record in serving the second policy objective: assuring adequate supplies for the consumer and a guaranteed market for the producer. The results of coordinating feed manufacturing, breeder flock, hatching, production contracting and processing operations under single ownership and focusing them on one profit center, can be summarized from a study by the National Commission on Food Marketing as follows:

(1) an increase of from approximately 4.6 billion to 7.1 billion pounds of broilers slaughtered between 1959 and 1965; (2) an increase in annual per

capita consumption of broilers of from 18.7 pounds in the 1947-49 period to 33.3 pounds in 1965; and (3) a *decrease* in price to the consumer between 1948 and 1965 of 21.1 cents per pound. We submit that this record has no parallel in the recent history of American agriculture. By the same token, its contribution to the communities in which the broiler industry has developed in the past decade and a half is widely recognized.

Not only have the consumer and the public interest been the beneficiary of the dynamic progress of the broiler industry, but in the process the grower has enjoyed a guaranteed market for his production. This is true because the grower negotiates a contract prior to starting the production process, under which he knows where the broilers are to be delivered when they reach market age and weight.

The role of the grower in the development of the broiler industry should not be minimized. He is a businessman who contracts his capital and labor rather than being relegated to the role of a menial laborer as so often claimed by the opponents of vertical integration. He provides not only uniquely skilled management during the grow-out period, but investment in modern broiler houses and related equipment. Vertical integration as it has developed in the broiler industry is in every sense a system of vertical cooperation and horizontal competition calling forth the highest skills at every level. Return on labor and management skills to broiler growers according to the 1966 Eastern Market Research study, allowing for a 6 per cent rate of return on capital, averaged between \$2.40 per hour and \$2.07 per hour. This range compares favorably and is frequently above returns to farmers in broiler areas from other agricultural products. Thus, competition in the industry for efficient growers has enhanced realization of the third policy objective: insuring a reasonable return for capital and labor.

The proposals embodied in Title IX of S. 3590 would severely disrupt if not destroy both the vertical cooperation and horizontal competition on which the economic growth of the modern broiler industry has been built. They would substitute government fostered and implemented direct regulation for the market system which now exists. They are premised on the contention that the redress of an imbalance in bargaining power through government action is the only means for achieving the policy objectives expressed by Secretary Freeman. An imbalance of bargaining advantage depends on many market factors, including efficiency and productivity, market supply and demand, available alternative sources of income and the degree of competition at each level of production and distribution. As to the question of competition, the Eastern Market Research Service study indicates the existence of vigorous competition for efficient growers. Moreover, the National Commission on Food Marketing found the broiler industry to be relatively unconcentrated nationally, indicating a competitive market structure. Finally, we know of no significant sector of the broiler industry which favors the type of government controls which are set forth in Title IX. Contrary to testimony before this committee which indicated a probability that the broiler industry would embrace Title IX; the only public meeting between the Department of Agriculture and all segments of the broiler industry produced a distinctly negative reaction to marketing orders and compulsory collective bargaining.

The foregoing is not intended to suggest that the broiler industry has achieved perfection. The recession of the recent past indicates that supply judgments and marketing indicators have their flaws, but this is the price the industry is paying for a free market. The industry is constantly seeking to improve the high degree of teamwork between the integrator and the grower, since cooperation between them is essential to the success of both. For example, the National Broiler Council has adopted a set of grower-integrator trade practice guidelines designed to improve communications by insuring that each party to a contract is fully apprised of his rights and obligations and is furnished full documentation covering all aspects of performance.

Contrast the extent to which vertical integration, as freely evolving in the broiler industry, has served the above-described policy goals with the Title IX proposal for direct regulation. Title IX would delegate, in the first instance, to a group of producers acting by simple majority vote, the authority to initiate procedures to impose on all producers of a given product or class of products a wide range of controls, including the amount, grade and quality of the product which might be marketed within the area covered by the restrictions and other terms and conditions of marketing. It is evident, of course, that the enactment of a provision such as contained in section 901, in itself, would represent an

unprecedented departure from the policies which have governed the authorization of marketing orders since 1937. Section 8c(2) of the Agricultural Marketing Agreements Act contains a general exemption for poultry products, as well as certain other agricultural commodities. In 1961, when there was some industry support for a marketing order affecting turkeys, the views of both proponents and opponents were brought before Congress which then had the opportunity to evaluate the market conditions and other factors bearing on whether or not authorizing legislation was appropriate. Although a proposed turkey marketing order was ultimately defeated by referendum, the point is that Congress does and should exercise specific review of individual product authorization requests and the geographic markets involved and have the opportunity thereby in each instance to determine in a concrete factual context whether or not a marketing order would effectuate and not be inconsistent with the purposes of the act. Under the current proposal, groups of producers of any product acting in conjunction with the Secretary of Agriculture, may determine the need for a marketing order, the area of its coverage, the quantities, grades and qualities of the product which may be committed to various uses of numerous other elements of the marketing function. No specific provision is made for processor or handler approval of any proposed order.

While there may be some question as to the value of marketing orders in rectifying short-term distress supply conditions affecting specialized crops, there is a general recognition of the shortcomings inherent in such open-end orders as would be authorized by section 901. To the degree that marketing orders enhance market price, they encourage new entry and expanded production thereby contributing to the very problem which they were intended to eliminate. To the degree that they result in the establishment of a market price which is non-competitive in the context of demand cross-elasticities, they stimulate a shift in consumption to readily substitutable products to the detriment of all segments of the industry involved. It should be noted with particular reference to the broiler industry, moreover, that where federal or state marketing agreements or orders have been utilized, they have normally been limited in geographic scope and have involved one use of a product for which other, unregulated product outlets are available. The areas of effective competition in broilers are national and international and there are no alternative commercial channels through which excess supplies might be marketed.

The dangers of stimulating excess production and price uncertainties may form the basis for the more pervasive government controls inherent in the provisions of Title IX relative to collective bargaining and production quotas. With one exception, the establishment of minimum prices through government supervised bargaining is unique to American agriculture. Under the present proposal, a committee of producer representatives would be empowered to bargain with handlers not only as to price but also as to all other target terms and conditions whereby products may be acquired from producers. It is apparent that the decision reached by the collective bargaining committee would, if approved by handlers of 50 per cent of the volume covered by the order, be binding on all producers and all handlers, regardless of the objections of individual producers.

Presumably to deter new entry or expanded production by existing producers from frustrating the objectives of the overall regulatory program, the legislation authorizes the establishment of allocation provision covering each producer and each handler. Since with respect to broilers, there are no alternative outlets available for the diversion of excess production, the allocation proposal would constitute direct government supply management.

The net effect of title IX would be to confer on the Department of Agriculture, without effective oversight, the status of the largest agricultural contractor in the world. Decisions as to the scope of the market to be regulated, in both geographic and product terms, would, although initially suggested by a presently unclassifiable group of producers, be precisely designed by an order to be drafted by the Department. Similarly, the quantity, grade, quality and other terms and conditions of marketing are subject to departmental determination, at least, in the first instance. The Secretary is delegated the authority of establishing the ground rules for collective bargaining, setting maximum prices at levels higher than parity and specifying individual producer-by-producer marketing allocations.

The control of this pervasive system of regulation would be entirely the joint responsibility of the Secretary and a majority of the producers in whatever area and as to whatever product might seem desirable or feasible at the time. The

voice of individual processors and other handlers would be negligible as would the effective volition of individual producers whose views might be entirely hostile to the direct regulation of all aspects of their farm enterprise. We submit that the broad scale delegation by Congress to the Secretary and to possibly small groups of producers the power over machinery to impose mandatory controls on all segments of agriculture involving every aspect of production and marketing would be foreign to the basic concept of individual choice which has operated in the broiler industry, other agricultural industries, and the economy generally.

We further submit that the net result would produce the opposite from the objective sought. Unless the price set by collective bargaining is "on the money" with the price which would have been established by the competition, a misallocation of resources will occur. If the price is too low, production will be unreasonably discouraged and the consumer as well as the industry will suffer. If the price is too high, as may be more likely, consumption will shift to competing areas or products. This possibility is particularly relevant to the broiler industry which markets a product bearing a very high incidence of cross-elasticity of demand with red meat products. Although involving competing areas rather than products, the example of the Ontario Broiler Chicken Producer's Marketing Board in Canada shows the effect that a complete system of price and market regulation can have on the broiler industry. Under this program, Ontario producers set the price and supplies of chickens in the province. As a result of the established price being in disequilibrium with normal demand and supply, large quantities of Quebec broilers have moved into many of the Eastern Ontario markets. A similar result could be expected with the establishment of a uniform binding price based on compulsory bargaining in the United States with a resultant shift to competitive products and loss of remaining foreign markets.

Finally, the inappropriateness of the marketing order—collective price bargaining formula to the broiler industry can readily be understood from all the foregoing. Under the system of vertical integration, who is the "producer"? The production function is a cooperative venture in which the integrator furnishes feed, medication, and other supplies for his own birds which are placed with growers who furnish the skilled services and the house and equipment to care for them. It is erroneous artificially to create the categories of "producer" and "handler" in this industry. Since ownership of the birds, in almost every case, is in the integrator, not the grower, it would be incongruous if the grower (who never owns the birds) is classified as the "producer," and is empowered under a marketing order to negotiate prices for a product which he does not own.

Although we doubt the economic need for, or efficacy of, joint bargaining in the broiler industry, there is under present law an option for those who believe that it is desirable. The fact is that Congress less than three months ago enacted a statute—The Agricultural Fair Practices Act (S. 109)—which guarantees that producers of agricultural products can be free from coercive or otherwise unlawful interference from any source. We said in our testimony before this committee on S. 109 in May of 1967,

"... it is the policy of the broiler council that broiler growers, like all other farmers, have a right to join any association or organization of their choice. We do not condone any unfair or coercive interference with this right . . .

"... the council has no position on whether integrators should or should not deal with associations of producers, directly with individual growers, or both. In our opinion, these are commercial questions which are appropriately matters of individual choice guided by the exigencies of the marketplace."

We continue to support these views.

The key to S. 109, now Public Law 90-288, is its guarantee of voluntary producer's choice. As Senator Aiken explained on the Senate floor:

"It [S. 109] is designed to protect the agricultural producer's right to decide, free from improper pressures, whether or not he wishes to belong to a marketing or bargaining association [113 Cong. Rec. S10866 (Aug. 4, 1967)]."

S. 109 prevents all handlers, including association of producers, from committing improper practices which impair this free decision. The act also makes clear that producers have the right to make the choice not to join a bargaining association and that their decision to negotiate directly with handlers shall not be disrupted.

Title IX of S. 3590 would represent a sharp departure from this principle of free individual election. By providing machinery whereby one group of farmers (undefined by product or geographic market) can bind all producers as to every

detail of the marketing process, Title IX would submerge the choice of the individual farmer to a group decision notwithstanding the fact that he and perhaps a substantial number of other individual farmers might be opposed.

The CHAIRMAN. Mr. Greiner.

**STATEMENT OF FRED J. GREINER, DIRECTOR OF PUBLIC AFFAIRS,
MILK INDUSTRY FOUNDATION**

Mr. GREINER. Mr. Chairman and members of the committee, I will highlight my statement, if you prefer that, and file the full text.

The CHAIRMAN. You may proceed. Your statement will be placed in the record in full.

Mr. GREINER. Mr. Chairman and gentlemen. My name is Fred J. Greiner, and I am director of public affairs for the Milk Industry Foundation, a trade association of the fluid milk industry. The foundation represents dairy plants that process and distribute fluid milk and fluid milk products in every State of the Union.

I have with me Mr. E. Linwood Tipton, who is an economist with the Milk Industry Foundation.

For many years dairy farmers have been among the principal users of the cooperative form of marketing. Most fluid milk processing plants in the United States deal with dairy farmer cooperatives almost every business day of the year.

Our testimony today will relate primarily to two general objectives which are of paramount importance to our members as well as to the general public.

1. The freedom to move milk between markets without unnecessary legal or economic restrictions which impede free and open competition; and

2. The continued reliance on the supply-and-demand pricing concept.

We urge that before a permanent extension of the class I base plan is made or written into law, that serious attempts be made to amend the existing class I base plan to include provisions that would remove some of the rigidity in the existing plan and that would allow new producers to obtain bases where plans are in effect and would allow for the movement of milk between milk order areas, without unnecessary restriction.

Inasmuch as these clarifying amendments as outlined above are not a part of S. 3590, we would oppose extension of the class I base plan permanently. If the committee, in its judgment, deems that the plan should be extended, we urge that the extension be limited to 1 year, and that we have another chance to take a look at it at another session of Congress.

With respect to section 903, it does provide for bargaining between representatives of the producers and handlers. It is our understanding from the staff memorandum issued by this committee that they interpret this to mean that where a milk marketing order provides a "method for fixing" minimum prices, that method will be by collective bargaining. If this is, in fact, the net result of the amended language, this would mark a radical departure from historical operations for the dairy industry under the marketing order system.

I might say, too, in connection with this, that the present language in that collective-bargaining section is very minimal. For example,

how are the producer committees to be selected? Whom will they represent? Are minimum prices the only items subject to bargaining? Will the results of such bargaining be subject to the approval of the producers in the area? How are handler committees to be selected? Are handlers to bargain through a committee? And if so, must all handlers be bound by the agreement?

Then, more important, what is the status of the cooperative handler. There are many of them in the picture today.

Although the lack of answers to the above questions in the present bill leads us to oppose this section of the proposal, the members of the Milk Industry Foundation urge the deletion of section 903 of title IX providing for collective bargaining for milk prices for another very fundamental and more persuasive reason, because under the present act dairy farmers receive prices designed to provide an adequate supply of milk at prices which are in the public interest as determined by the Secretary of Agriculture. Under these circumstances at public hearings, the U.S. Department of Agriculture takes evidence from all parties concerned including farmers, cooperatives, handlers, associations of handlers, consumers, or whoever wishes to appear. After which, the Secretary makes a decision.

Under the proposal before the committee, there is no reference to adequate supplies of milk or the public interest. A committee representing producers and handlers is, in effect, given the authority to establish prices which in turn will be enforced by the Federal Government. The interest of American consumers will be completely lost under such an arrangement.

The third section of the proposal with which we are concerned is section 906 which provides a system under which the Secretary of Agriculture would be authorized to allot a quantity of any given commodity, including milk, which a producer can legally sell in any market during a specified period of time.

If this section is to remain a part of the bill for other agricultural commodities, then we urge that milk and milk products be listed among the exceptions in section 905 which amends section 8c(6)(J) of the Agricultural Adjustment Act, as amended.

We urge the exception for two basic reasons:

The first parallels our opposition to collective bargaining. There is no assurance that anywhere in the mechanism will the consumer be protected or will the public interest be given consideration as is presently accomplished under the marketing order system in effect today.

We assume that in order to place themselves in a strong bargaining position, it is not unreasonable to suppose that producers would want to control the supply. The allotment section does this. Under these conditions, there is absolutely no consideration given to the public interest or to the needs of the consumers.

Secondly, a more serious ambiguity occurs in section 906 which amends section 8c(7)(E)(3) which relates to allotments of producers which can be handled by handlers. It would appear that this section imposes a severe limitation upon the amount of milk that can be handled by any given handler. If this is so, then we might have the circumstance where a milk plant would find itself with a sudden demand for milk products for any one of a number of reasons, for

example, taking on a large chainstore as a customer, or when a new industrial plant moves into town with attendant population increases, and so forth, he might not be able to get milk to satisfy his local needs.

So, thus, in summary, gentlemen, we are opposed to permanent extension of the class I base plan until extensive revisions in the entire plan are made; we feel there is no need for the collective bargaining language contained in the act, and we prefer to use the established procedure in the Federal milk order program to establish classification and price levels for producers' milk. And, lastly, we oppose the provision for marketing allotments for milk and milk products.

(The prepared statement of Mr. Greiner is as follows:)

Mr. Chairman and members of the committee, my name is Fred J. Greiner and I am Director of Public Affairs for the Milk Industry Foundation, a trade association of the fluid milk industry. The Foundation represents dairy plants that process and distribute fluid milk products in every state of the Union.

For many years dairy farmers have been among the principal users of the cooperative form of marketing. Most fluid milk processing plants in the United States deal with dairy farmer cooperatives almost every business day of the year.

We are pleased to have this opportunity to appear before the Committee to discuss three proposals in S. 3590 which would have a direct impact upon the present commerce and relationships that exist between dairy farmer cooperatives and fluid milk operators, more commonly known as handlers in the proposal.

Our testimony today will relate primarily to two general objectives which are of paramount importance to our members as well as to the general public.

1. The freedom to move milk between markets without unnecessary legal or economic restrictions which impede free and open competition, and

2. The continued reliance on the supply and demand pricing concept.

In the case of milk and milk products, this bill provides authority for three types of regulatory plans which are contrary to the above objectives.

The first proposal with which we are concerned is that section that would make permanent the present dairymen's class I base plan. When the Food and Agricultural Act of 1965 was passed, the dairymen's class I base plan made a part of that Act was, in our opinion, a compromise that was not satisfactory to milk processors, nor for that matter to milk producers.

The 1965 Act, as interpreted by the Department of Agriculture, requires a single representative period of time to establish a permanent history of marketings by dairy producers.

Frankly, we feel that this is too rigid. For if a farmer does not initially establish the history of marketings during the representative period as required by USDA, then he must participate in the market as a new producer unless he can obtain a history by transfer or purchase from another dairy farmer.

Other provisions of the existing class I base plan dramatically restricts the movement of milk between milk order areas.

The Department of Agriculture has itself interpreted the law as to permit certain restrictive provisions. In a statement issued by the USDA in June, 1966 the following appears:

"The new authority accommodates restrictive treatment with respect to the basis on which new producers and milk from unregulated plants and plants regulated by other orders can share in the higher valued fluid milk sales."

Part of the restrictive treatment includes what USDA terms as permission to give priority assignment to quota milk of class I sales in a base plan market regardless of the source of the milk used in fulfilling the class I terms of the market. The effect is to substantially restrict milk which does not have a base from competing in any market with a base plan.

Such restrictions are not in the spirit of other sections of the Agricultural Marketing Agreement Act, as amended, which provides that no marketing agreement or order applicable to milk and its products in any marketing area shall prohibit or in any manner limit, in the case of the products of milk, the marketing in that area of any milk or product thereof produced in any production area in the United States.

Under these circumstances we would urge that before permanent extension of the class I base plan is written into law that serious attempts be made to amend the existing class I base plan to include provisions that would remove some of

the rigidity in the existing plan, that would allow new producers to obtain bases where a plan is in effect, and would allow for the movement of fluid milk and fluid milk products between milk marketing order areas without unnecessary restrictions.

Inasmuch as clarifying amendments as outlined above are not a part of S. 3590, we would oppose extension of the class I base plan permanently. If the Committee, in its judgment, deems that the plan should be extended, we urge that the extension be limited to one year. This would permit a thorough review of the class I base plan and its impact upon dairy farmers and the dairy industry before making the plan a permanent part of the Food and Agricultural Act.

With respect to collective bargaining for milk prices, Section 903 of the bill provides that one of the terms or conditions that can be issued in milk orders is one for collective bargaining in good faith by producer representatives and handlers. A staff explanation issued by this Committee interprets this to mean that where a milk marketing order provides a "method for fixing" minimum prices, that method *will be* by collective bargaining. If this is, in fact, the net result of the amended language, this would mark a radical departure from historical operations for the dairy industry under the marketing order system.

Frankly, we find it difficult to reconcile the results which conceivably can be achieved between producers and handlers by collective bargaining as provided for in this new language, with the present results from public hearings called by the Department at which time all parties affected, including consumers, have an opportunity to express their viewpoint on suggested or impending changes.

The present language in the collective bargaining section for milk is minimal. For example, how are producer committees to be selected? Who will they represent? Are minimum prices the only item subject to bargaining? Will the results of the collective bargaining be subject to approval of the producers in the area as is now the case with findings of the Department following a hearing? How are handler committees to be selected? Are handlers to bargain through a committee? If so, are all handlers bound by the agreement made by the committee? What is the status of the cooperative handler under these provisions of the bill? Today many cooperatives are also handlers under the provisions of the Agricultural Adjustment Act of 1937, as amended, and in certain markets of the United States such cooperative handlers play a predominant role in the processing and sale of milk to consumers. Finally, who approves the price level established, or what happens if agreement cannot be reached?

Although the lack of answers to the above questions in the present bill leads us to oppose this section of the proposal, the members of the Milk Industry Foundation urge the deletion of Section 903 of Title IX providing for collective bargaining for milk prices for another very fundamental and more persuasive reason.

Basically, if prices are to be established by a committee of producers and handlers and enforced by the Federal government, the present statutory standards of pricing would no longer apply.

Under the present Act dairy farmers receive prices designed to provide an adequate supply of milk at prices which are in the public interest as determined by the Secretary of Agriculture. Under these circumstances at public hearings the United States Department of Agriculture takes evidence from all parties concerned including farmers, cooperatives, handlers, associations of handlers, consumers, or whoever wishes to appear. After all of the testimony is in, the Department then weighs this evidence and makes a decision on a milk price which will provide an adequate supply of milk, inherently provide sufficient income to farmers and at a price which will be in the public interest.

For the past several years the prices established by the Secretary of Agriculture under the Federal milk orders program and under the price support program have resulted in surplus milk production. Except for 1966, CCC purchases of dairy products have amounted to over 4% of total milk production for each of the last seven years.

Under the proposal before the Committee, there is no reference to adequate supplies of milk or the public interest. A committee representing producers and handlers is, in effect, given the authority to establish prices which in turn will be enforced by the Federal government. The interest of American consumers will be completely lost under such an arrangement.

The existing market order system based upon supply and demand has worked satisfactorily for many years. As has been pointed out earlier, dairy farmer

cooperatives have been active—since the early 1930s. Dairy farmer cooperatives are numerous and large.

Through dairy farmer cooperatives, milk producers have been able to take advantage of the Federal order mechanism made available to them by the Agricultural Adjustment Act of 1937, as amended. As this is written there are 74 Federal milk orders in existence in the United States, all of them operating under the general criteria of providing an adequate supply of milk at prices which are in the public interest as determined by the Secretary of Agriculture.

For the reasons cited above, it is the position of the Milk Industry Foundation that the section authorizing collective bargaining for milk prices of S. 3590 be deleted. It simply is not necessary.

The third section of the proposal with which we are concerned is Section 906 which provides a system under which the Secretary of Agriculture would be authorized to allot a quantity of any given commodity, including milk, which a producer can legally sell in any market during a specified period of time.

Once collective bargaining is substituted for the present system of having the Department of Agriculture set milk prices that will provide an adequate supply of milk in the public interest, then a new way must be found to provide a means of controlling the supply of milk.

Evidently this is the intent of Section 906.

If this section is to remain a part of the bill for other agricultural commodities, then we urge that milk and milk products be listed among the exceptions in Section 905 which amends Section 8c(6) (J) of the Agricultural Adjustment Act, as amended.

We urge this exception for two basic reasons.

The first parallels our opposition to collective bargaining. There is no assurance that anywhere in the mechanism will the consumer be protected or will the public interest be given consideration as is presently accomplished under the marketing order system in effect today.

We assume that in order to place themselves in a strong bargaining position it is not unreasonable to suppose that producers would want to control the supply. The allotment section does this. Therefore, producers and handlers can bargain for whatever price they wish and at whatever high level they want so long as the supply is controlled. Under these conditions there is absolutely no consideration given to the public interest or to the needs of consumers.

Secondly, a more serious ambiguity occurs in Section 906 which amends Section 8c(7) (E) (3) which relates to allotments of producers which can be handled by handlers. It would appear that this section imposes a severe limitation upon the amount of milk that can be handled by any given handler. It would appear that the language could be construed so as to prohibit a handler from purchasing any excess milk to handle special needs. For example, if a dairy plant suddenly found itself with a sudden demand for milk products for any one of a number of reasons, i.e., taking on a large chain store as a customer, or when a new industrial plant moves into town with attendant population increases, etc., it would appear that the language in this section could be construed to preclude that dairy from buying milk from any other source than from his local producers to meet the new needs—even though they could not fulfill that need. In other words, this section imposes a severe impediment to the free flow of milk and dairy products.

Thus, in summary gentlemen, we are opposed to permanent extension of the class I base plan until extensive revisions in the entire plan are made; we feel there is no need for the collective bargaining language contained in the Act, and we prefer to use the established procedure in the Federal milk order program to establish classification and price levels for producers' milk. Lastly, we oppose the provision for marketing allotments for milk and milk products.

Thank you very much for your time, attention, and consideration.

The CHAIRMAN. Whom do you represent?

Your statement says that you are director of public affairs for the Milk Industry Foundation.

What is your membership?

Mr. GREINER. Our membership consists of the fluid milk processors. These are people who buy milk from farmers and process it into bottled and fluid milk products.

We have members in every one of the States of the Union.

The CHAIRMAN. Any questions, Senator Young?

Senator YOUNG. No questions.

The CHAIRMAN. Senator Miller?

Senator MILLER. No questions.

The CHAIRMAN. Thank you very much.

We will next hear from Mr. Heffelfinger.

STATEMENT OF FRANK HEFFELFINGER, CHAIRMAN, EXECUTIVE COMMITTEE, GRAIN & FEED DEALERS NATIONAL ASSOCIATION, MINNEAPOLIS, MINN.

Mr. HEFFELFINGER. Mr. Chairman and members of the committee, this statement is submitted with the utmost sincerity and feeling of urgency, although it is only three pages long.

The CHAIRMAN. That is the kind that we like, right to the point.

Mr. HEFFELFINGER. Mr. Chairman and members of the committee, I am Frank Heffelfinger, executive vice president of Peavy Co., Minneapolis, Minn. I am also chairman of the executive committee of the Grain & Feed Dealers National Association on whose behalf I appear here today to testify on S. 3590.

On April 9, 1968, I had the privilege of appearing before your committee to testify in opposition to S. 2973, the so-called bargaining bill. Our opposition still remains and we would suggest no more than a 1-year extension of the Food and Agricultural Act of 1965, if necessary, so that further study can be given to the farm program.

We would like to concentrate our remarks on two aspects of S. 3590: (1) Title IX: Marketing Orders, and (2) Section 404: Cost of Wheat Marketing Certificates to Processors.

First of all, marketing orders:

We are deeply concerned that all commodities would become eligible for marketing orders even though we were pleased to note an exception for wheat, feed grains, and other commodities from the collective bargaining aspect of S. 3590. Since flax and its products are in competition with other oilseeds, we do not understand why flax is not exempt from collective bargaining.

Senator YOUNG. That is a question I raised the other day. If you included one oil crop you would have to include all oil crops, would you not? Because if you include one oil crop, such as flaxseed, it is competitive with soybeans.

Senator YOUNG. Flax and soybeans are competitive as oil crops, particularly in the making of paints and as feed supplements for cattle, et cetera.

The CHAIRMAN. I am informed that cottonseed wants to be exempt. I think the reason we did not exempt flaxseed is because it is produced in such a small area.

Senator YOUNG. That was the reason.

The CHAIRMAN. It is not nationwide.

Mr. HEFFELFINGER. Perhaps, it might be just as well for me to insert at this point, parenthetically, that while flax is produced primarily in the Dakotas and in Minnesota, there is still a fairly substantial tonnage of flax produced in California and Texas. So, it really is not quite as restrictive as you might think.

Senator MILLER. May I ask you this question?

The CHAIRMAN. Yes.

Senator MILLER. Even though it is not quite as restricted, it is certainly a lot different from soybeans, for example. I wonder just how much this would aggravate the situation if it were not exempt?

Mr. HEFFELFINGER. I think the important consideration is that we will have to go back to the original comments that I made that Senator Young has replied to; that is, to say that they are competitive regardless of where they are grown—they are competitive. Flax is competitive in oil and in meal with cottonseed oil and cottonseed meal, and, of course, primarily, with soybean oil and soybean meal.

Senator MILLER. How much is that competition?

Are you talking about a very minor amount of competition or are you talking about a lot of competition?

I am wondering if it is much.

I understand how it is competitive. But the degree of competition is what I am getting at.

Mr. HEFFELFINGER. The history of the production of flax has been a gradual decline in tonnage production. So, you would have to say that the amount of competition was lessening, but I am not sure that this is good.

Senator MILLER. What percentage of the oil seeks the market from flaxseed? What percentage is that of the oilseed market?

Mr. HEFFELFINGER. A very small part of it.

Senator MILLER. Would it be 2 or 5 percent or what?

Mr. HEFFELFINGER. Do you have those production figures?

In 1968, soybean production was 1,040 million. This is the indicated production for 1968—with the flax, for the same period, being 23,200,000 bushels.

Senator MILLER. Thank you.

Mr. HEFFELFINGER. We were happy to hear Secretary Freeman respond to a question to the effect that he would not object to having commodities specified in section 905 exempt from other provisions of title IX of the bill. We strongly recommend such an exemption.

Our statement of April 9, 1968, set forth in detail the disruptive effect of the bargaining bill on the entire agribusiness community. Since that statement is a matter of record we will not repeat it; but sincerely ask that your committee consider it in your deliberations on the bill now before you. Although my statement then was directed against titles I and II of S. 2973, and only title II of that bill is in S. 3590, I think it significant that on April 5, 1968, Undersecretary John A. Schnittker said, "Under title II (of S. 2973), the same results would be achieved (as under title I of the Mondale bill) * * *" Dr. Kiser, an agricultural economist on our staff, agrees with Dr. Schnittker's conclusion.

Briefly stated, our opposition to bargaining bills is based on the artificial arrangements that are imposed on an efficient marketing system which would replace competitive influences, destroy initiative, and decrease efficiency. If one segment of the agribusiness community is controlled, such control would have an adverse effect on the competitive position of the controlled commodities bringing forth the substitution of lower priced commodities or synthetic products for the higher priced controlled commodities.

And now as to "Wheat Marketing Certificates to Processors."

Under this amendment, the Secretary of Agriculture could increase the loan rate without reducing the processor's certificate payment. The processor certificate is used to enable the farmer to receive 100 percent parity of the share of his production that is used domestically. The 1967 domestic marketing certificate is \$1.36 per bushel, which is the difference between the \$1.25 loan value and the July 1967 parity price of \$2.61 per bushel. The \$1.36 consists of the 75-cent processor certificate and the 61 cents appropriated from the U.S. Treasury. This proposal would freeze the appropriation portion of the certificate payment, but increase the 75-cent processor certificate for the 1970 and succeeding wheat crops by the amount of any increase in parity price over the parity price of July 1, 1969.

Millers have repeatedly expressed dissatisfaction with the 75-cent processor wheat certificate and this amendment would add uncertainty to wheat marketing and milling. When the Secretary makes his annual announcement on the value of the domestic marketing certificate, any possible profit on trades which had been made for the future could be wiped out by a change in the certificate value.

In conclusion, Mr. Chairman, I would particularly urge your committee to reject title IX of S. 3590.

I appreciate this opportunity to again appear before your committee to speak for the Grain & Feed Dealers National Association.

The CHAIRMAN. But with the few exceptions you made, you are for the bill's extension?

Mr. HEFFELFINGER. That is right, with these exceptions, but my comments were directed to all of the provisions that pertain to grains and oilseeds.

The CHAIRMAN. Are there any exceptions?

Senator YOUNG. The Peavey Co. is an old and reputable company. When did you first start in the grain business?

Mr. HEFFELFINGER. It was incorporated in 1874.

Senator YOUNG. Thank you.

The CHAIRMAN. Thank you.

Our next witness is Mr. Creed.

STATEMENT OF JOSEPH M. CREED, GENERAL COUNSEL, AMERICAN BAKERS ASSOCIATION AND BISCUIT AND CRACKER MANUFACTURERS' ASSOCIATION

Mr. CREED. Mr. Chairman and gentlemen of the committee, I, too, have a very brief statement. It will not take very long to give the whole of it, without attempting to summarize it.

My name is Joseph M. Creed. I am general counsel of the American Bakers Association and the Biscuit & Cracker Manufacturers' Association on whose behalf I appear here today.

We appreciate the opportunity to give this committee our views on that part of S. 3590, the Agricultural Act of 1968, which seriously affects our industry. I refer to title IV which would amend section 379e of the Agricultural Adjustment Act of 1938 to require the Commodity Credit Corporation to sell wheat marketing certificates to processors for the marketing years for the 1970-through-1973 crops at 75 cents per bushel, plus the amount by which the parity price after 1969 exceeds the parity price as of July 1, 1969.

On May 3 of this year in connection with the hearings on the farm program, we addressed a letter to this committee expressing our objection to an extension of the program after the present expiration date. At this time we wish to record our objection to any increase in this processing tax and reiterate our earlier request that the Congress permit the program to expire with the 1969 crop year as presently provided for in the law.

Our industry has consistently opposed the wheat certificated program and the processing tax which has been levied on the users of wheat products, because we believe it is inequitable and unfair to impose a tax on the consumers of wheat products for the benefit of the wheatgrowers. It is our position that this kind of tax which shifts the responsibility for paying for a program established by Congress from the taxpayer, as such, to the user who creates the market for the wheat has no place in a farm-support program. If a program of subsidizing wheatgrowers has merit, it should be financed out of the general revenues of the Treasury as are the other commodities covered by this legislation, and not through this inequitable and regressive tax on consumers of the product. It should be the responsibility of all the taxpayers, and they should know what they are financing. The burden of this tax necessarily falls most heavily on the segment of our population least able to afford it, because bread and other wheat foods comprise a proportionately larger part of their daily food intake. This hidden cost should not be the burden of the poor and disadvantaged.

The baking industry uses annually some 400 million bushels of wheat flour in its products. Obviously, it is the wheatgrowers best domestic customer. The irony of the wheat processing tax is that the people who consume the wheat products, and thereby provide a market outlet for wheat, must pay this special exaction. This should not be. This program places a penalty on being such a good customer. And the better the customer is, the greater the penalty. The fact that the tax is borne principally by the lower income members of the public only compounds the inequity. This is economics turned topsy-turvy.

The 75-cent-per-bushel processing tax applied to our annual usage means that a tax of \$300 million has been paid each year by the consumers of our products since the inception of this program in 1966. By the end of this crop year, consumers of bread and other bakery products will have paid almost \$1 billion in this processing tax over a 3-year period, with another year yet to go. We ask: Why should wheat food consumers continue to pay this tax, much less have it increased as S. 3590 proposes to do?

At this point, it might be well to refer to an observation by Dr. John A. Shellenberger, the distinguished agricultural economist and professor emeritus at Kansas State University. Dr. Shellenberger's complete statement on this subject was made a part of the record of the April hearings. At one point he says:

At no time, however, have processing tax laws remained in effect for long because they have not proved to be a satisfactory, long-term solution to inadequate price support for farmers' wheat at the marketplace. * * * Experience has proved repeatedly that this is a questionable manner to remedy the price situation for the farmer.

Referring to the economic impact of such a program on the wheat farmer, Dr. Shellenberger observes that the program has "placed wheat at a price disadvantage compared with other grains."

This eminent agricultural economist is concerned over what the long-term effect this program will have on the wheat economy. I am sure his concern for the welfare of the wheatgrower is identical with that of this committee.

Now, S. 3590 would not only extend this program and processing tax for 4 more years it would increase it, beginning in 1970. It is our view that the plan in its entirety should be abandoned in 1969 when the law expires.

Lest the committee feel that our opposition to this program indicates a lack of sympathy for the problems of the farm community, particularly the wheatgrowers, I would emphatically state that we want very much to see the farmer prosper with the rest of the country. We firmly believe that a prosperous farm economy helps promote total prosperity. Our objection goes to the method chosen by Congress in its well-intentioned desire to achieve this prosperity. We reiterate that if the Congress determines as a matter of public policy that wheatgrowers should receive as close as possible to 100 percent of parity for their domestically consumed wheat, the Congress should also require that the funds necessary to carry out this policy come from the general revenues, thereby sharing the burden among all the taxpayers—not just the consumers of wheat foods.

Accordingly, we respectfully ask this committee not to exceed the wheat certificate program after its expiration date of 1969. However, if the committee feels that other overriding considerations require a temporary extension of the present law, it should be for no more than 1 year; that is, through the 1970 crop year. Under no circumstances should the processing tax on wheat processors be increased above the present 75 cents per bushel. Furthermore, any temporary extension, if granted, should be accompanied by a statement of congressional intent to terminate the program permanently at the end of the extension period.

The CHAIRMAN. Of course, you understand why the certificate plan was put in the law, that it would make wheat competitive in the world markets; in other words, whenever we sell on the world market, we can sell surplus over what we need at home at a rate equal to what the world market price is, so that this charge of about 65 to 70 cents a bushel—

Senator Young?

Senator YOUNG. That was about the level of the export subsidy.

The CHAIRMAN. Yes, sir.

Senator YOUNG. It did run that high. Now it is down to practically nothing.

Mr. CREED. It is a reverse subsidy, as I understand it, beginning in July under the new international grains arrangement.

The CHAIRMAN. The reason for that is that wheat was not sold; and our effort was to make it possible for the wheatgrowers to receive full parity for that which was consumed at home.

Mr. CREED. We certainly appreciate the need and the desire to help the wheatgrowers increase their export market, and I think that it has been very effectively accomplished. Our objection goes to the

method that is used to finance the domestic program. Instead of having the general revenue furnish the difference between the low support level and parity, a portion of it is placed on the backs of the consumers. You have a consumer who makes a market being penalized because he makes this market; and, as we pointed out in our statement, the better customer he is the more he has to pay for being a good customer. We just do not think it is sound economically.

The CHAIRMAN. It has been the experience of this committee, and I have been chairman of it now for almost 17 years, that the price of flour makes very little difference in the price of the end product to the consumer. I have been buying bread here ever since I have been in Washington, and whether wheat sells for \$2 or \$2.20 a bushel, it does not affect the price of bread at all.

Mr. CREED. There is no doubt, Senator, that the percentage of wheat that is represented in a loaf of bread is relatively a small proportion, but I think that is true of any manufactured product. The house that a man buys bears little resemblance in price to what the lumberman gets for the tree in the forest. I do not think that can be helped. But here, again, we are not objecting so much to the congressional intent of providing the farmer with whatever it is believed he should have in the way of return. We just say "Do not put this tax on the user of the product. It should come out of the general revenues of the Treasury." So, everybody bears the burden as a part of what Congress has determined should be public policy.

Under the certificate plan, you have the people who eat the most bread and other cereal products—and this is usually the low-income group, as the Secretary of Agriculture has said and the Department has issued studies showing—proportionately paying a much higher percentage of the cost than if this were a direct appropriation from the general revenues.

The CHAIRMAN. We had some experience on the cotton bill, as you may well recall. It was stated by the Cotton Council here and by others that if cotton was sold at one price, that is, at the world price, that the consumer would benefit. We have had it on the statute books now for about 4 or 5 years, a law which permits the textile mills to buy cotton at world market prices, but instead of going down, cotton goods went up. Somebody gets the difference. It is not the consumer.

Mr. CREED. Well, of course, we are in an inflationary period, to begin with.

The CHAIRMAN. Yes, sir.

Mr. CREED. It is not any one thing, as a rule, that brings that about. It is the sum of several items that goes into any manufactured product. I suspect that is true in textiles as it is in our products.

The CHAIRMAN. Are there any further questions?

Senator YOUNG. Yes, sir.

Even with the wheat certificate which costs the miller 75 cents a bushel, you are buying wheat cheaper today than before this program went into effect; are you not?

Mr. CREED. We use flour. It is the miller who buys the wheat. We are the next step down the line. We buy the flour. I do not know that our flour prices are cheaper than what they were before. I think that they are higher. It may be that the market price of wheat is lower than what it was before the program went into effect, but you cannot

take just the market price. You have to add the cost of the certificate to it, to come out with a total of what the miller has to pay.

Senator YOUNG. I wonder if we could have inserted in the record at this point, Mr. Chairman, the average cash price for wheat in Buffalo, N.Y., and in Minneapolis, Minn., for the 15 years prior to the time this program went into effect. Also, I would like to show the present cash price in Buffalo, N.Y., and Minneapolis, Minn., plus the wheat certificate payment of 75 cents. I think that would show that the millers and other users of wheat are getting their wheat at a lower price now than they were previously.

The CHAIRMAN. Yes. It will be made a part of the record.
(The information follows:)

WHEAT: AVERAGE CASH PRICES PER BUSHEL, MINNEAPOLIS AND TOLEDO BY CROP YEARS U.S. AVERAGE RETAIL PRICE 1-POUND LOAF OF WHITE BREAD

Crop year	Dark Northern Spring Minneapolis No. 1—15 percent protein	Value of certificate	Cost of wheat and certificate	No. 2 Soft Red Winter Toledo ¹	Value of certificate	Cost of wheat and certificate	Average U.S. retail price per pound white bread ²
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Cents
1949	2.38			2.02			14.0
1950	2.56			2.22			14.3
1951	2.53			2.40			15.7
1952	2.51			2.12			16.0
1953	2.68			1.96			16.4
1954	2.83			2.10			17.2
1955	2.47			2.04			17.7
1956	2.42			2.17			17.9
1957	2.39			2.13			18.8
1958	2.25			1.85			19.3
1959	2.26			1.94			19.7
1960	2.18			1.89			20.3
1961	2.41			2.00			20.9
1962	2.51			2.06			21.2
1963	2.30	(3)		1.98	(3)		21.6
1964	1.78	0.70	2.48	1.45	0.70	2.15	20.7
1965	1.87	.75	2.62	1.62	.75	2.37	20.8
1966	1.97	.75	2.72	1.70	.75	2.45	22.0
1967	4 1.83	.75	2.58	4 1.41	.75	2.16	22.2
May 1968	1.75	.75	2.50	1.36	.75	2.11	5 22.1

¹ Buffalo cash prices not available—Toledo selected as nearest point to Buffalo—DNS prices not available at Toledo.

² Calendar years.

³ Wheat certificate program made effective July 1, 1964.

⁴ Average for 11 months (July–May).

⁵ Average for January, February, and March 1968.

Note: Grade differential for No. 1 over No. 2 will generally average about 1 cent per bushel.

The CHAIRMAN. How has the cost of bread changed?

I can tell you how it has, from personal experience.

Senator YOUNG. What would be your answer to the wheat farmers' problem?

We have a free market for wheat now. The price is freely established on various markets. Wheat prices in Kansas and in North Dakota now range from \$1.10 to \$1.30 or \$1.40 a bushel, depending on the quality and location. Farmers cannot exist with that.

What would be your answer to this?

Mr. CREED. If I recall the Department of Agriculture figures correctly, the average market price, cash price, for the marketing year now closing, has been \$1.39 and to that you add the value of the certifi-

cate which would be 53 cents a bushel when applied against the grower's total quota, which gives you \$1.92 a bushel. That compares with \$2.22 a year ago, but it is the second highest blend price since the program was made into law.

Senator YOUNG. You want to eliminate the wheat certificate payment. How would the farmer exist with the present low prices without the wheat certificate payment?

Mr. CREED. We are not questioning or suggesting that Congress diminish the total amount of money that is considered desirable for the wheat farmer to get. Our objection goes to the technique or the method that is used in giving that money; namely, the wheat certificate approach, to put the tax on the consumer of the products. We think that it is unfair to the consumer, and, based on the observations of a man like Dr. Shellenberger who seems to feel that from an economic standpoint of a wheatgrower himself, over the long run, it is going to be economically disadvantageous to the wheat farmer.

Senator YOUNG. The wheat farmers are just trying to exist. You folks opposed higher price supports a few years ago. You opposed this program. You oppose any Government program to help farmers get a better price.

Mr. CREED. No, sir; that is not quite correct. We do not oppose the Government programs, as such. In fact, we have never come here to appear against any Government programs, except when there has been something like an approach which would put the payment on the user of the product rather than on the general revenues; but we want the farmer to prosper. We think it is absolutely necessary to have a prosperous farm economy.

Senator YOUNG. In other words, the whole country would be better off if the processors and the users could get together with the farmers, to try to work out something?

Mr. CREED. As a matter of fact, Senator Young, we are now working with the wheatgrowers, and the millers, and the bakers to try to develop an organization which has been named "The Wheat and Wheat Food Foundation" in the hope that the cooperative effort of all of these three groups will mean that bigger and better markets can be developed for the entire wheat economy, from the grower right down to the end manufacturer.

Senator YOUNG. I know there are some exporters who were violently opposed to the International Grains Arrangement. They wanted lower world prices. You cannot have the wheat price lower than it is right now and keep the wheat producer in business.

Mr. CREED. I think that is true of any segment of the economy. None of them can stay in business if there is not a good enough return to provide a profit for the labor and the capital invested.

Senator YOUNG. I never thought I would see the day when anyone would argue for a lower world price for an American product. This is unbelievable to me; this is the first time that I have ever experienced this.

Mr. CREED. You are not imputing that to us?

Senator YOUNG. Not to you, no.

Mr. CREED. Thank you. I wanted to make sure of that.

The CHAIRMAN. Are there any further questions?

Senator YOUNG. No.

The CHAIRMAN. Is there anything further that you desire to add?

Mr. CREED. I have nothing further. Thank you very much.

The CHAIRMAN. I understand that Mr. Edward Brown Williams, counsel for the National Association of Frozen Food Packers, will not appear in person but that he desires to file a statement. Permission is hereby granted to Mr. Williams, to file a statement.

(The statement submitted by Mr. Williams follows:)

STATEMENT OF EDWARD BROWN WILLIAMS, COUNSEL, NATIONAL ASSOCIATION OF FROZEN FOOD PACKERS

My name is Edward Brown Williams. I appear before your Committee on behalf of the National Association of Frozen Food Packers, for which I am counsel. The members of the Association pack more than 85 per cent of the United States production of frozen vegetables, fruits, and juices and a large volume of other frozen foods. These products are marketed in all 50 states of the country. We appreciate very much the opportunity to present our views on S. 3590.

As processors of agricultural commodities we are seriously concerned with the proposals in Title IX of S. 3590, which would amend the Agricultural Marketing Agreement Act of 1937 to expand the scope of the Act and of the marketing orders which may be imposed under its provisions.

I want to emphasize, as we have done before, our conviction that the impressive progress which has been made by the vigorous and highly competitive frozen food industry during the relatively few years of its existence, would not have been possible had the industry been subjected to the regulatory programs which have been urged before this Committee in past years, some of which were discussed before this Committee earlier this year in connection with S. 2973, the Mondale bill, and some of which are again before you in S. 3590.

In 1942 the production of frozen fruits and vegetables amounted to 348 million pounds. In 1966 it was 4 billion 123 million pounds. To this figure must be added more than 800 million pounds of frozen citrus products and 2 billion 146 million pounds of prepared frozen foods. Production of frozen potatoes alone rose from 71 million pounds in 1953 to 1 billion 460 million pounds in 1966.

This development has been achieved in an economic climate relatively free of outside restraints and controls, such as those which have been proposed in the past and are again before us.

We submit that an industry with such a record of progress should not be subjected to compulsory marketing controls imposed by government in an attempt to solve the farm problem, with no assurance that such controls will have the desired effect and that they will not result in a dislocation of the present food marketing structure, to the disadvantage of farmer and purchaser alike. Such control programs appear periodically, and apparently inevitably, despite the abundant evidence of the superiority of competition to government controls.

I want to emphasize that I am talking about restrictions and obligations imposed by statute, or by the Secretary of Agriculture and grower groups pursuant to statutory authority. I am not talking about voluntary arrangements such as marketing agreements (as distinguished from marketing orders).

The frozen food industry, through the National Association of Frozen Food Packers, has consistently objected to compulsory marketing orders for crops for freezing, when legislation authorizing such orders has been proposed. We are, of course, opposed to the imposition, through such orders, of a requirement of collective bargaining between purchasers and producers of agricultural commodities, to fix the prices of such commodities, as well as to allotments for processors specifying what they can purchase from producers and allotments for producers limiting the quantities and grades of commodities which they may sell to processors.

We fully realize the concern of the Committee with problems faced by farmers. The existence of problems and hardship, however, do not justify the imposition of controls, such as those proposed in Title IX of the bill, which we feel sure will not work but rather will stifle the vibrant activity and progress of our industry. We do not propose an alternative to Title IX because we are satisfied that the present competitive system, despite its shortcomings, has been proved to be superior to a government-regulated system, both in experience here and abroad.

Title IX would extend eligibility for a marketing order to "any agricultural commodity or product (except canned or frozen products)" if a majority of the producers of the commodity or product votes in a referendum in favor of its eligibility. In this manner all commodities for freezing or other processing could be covered under the marketing order authority.

This would expose all of the products used by the food processing industry to the imposition of marketing orders at the will of the producers and the Secretary of Agriculture. The basic objections which we have always had to such orders are simple. They are: the lack of need for them for crops for freezing, and their arbitrary and undemocratic character as applied to processors.

Under the proposal, as we have noted, it is the producers who determine whether a crop for freezing is to be made eligible for a marketing order. The processor has no voice whatsoever in this decision if a majority of the producers decide in favor of making a commodity eligible for an order.

Marketing orders may, under present law, contain among others, provisions limiting the quantity of a commodity of any grade, size or quality thereof which may be marketed and provisions for allotments of the amounts of a commodity which a processor may purchase or which he may market. Any crop for freezing would, therefore, at the will of producers, be made eligible for an order which could, if the producers and the Secretary of Agriculture so desired, contain such provisions. This could be done without the consent of and against the will of processors of the crop. The effect of such an order would be to hand over to producer administrative committees and the Secretary of Agriculture real and substantial control of the business of processors.

Title IX of S. 3590 would also authorize provisions in marketing orders for establishing the minimum prices and minimum terms and conditions under which crops for freezing may be acquired by handlers or processors from producers. This would be done by compulsory collective bargaining between producers and handlers.

Presumably the basic legal principles developed under the National Labor Relations Act would be drawn upon by the courts, to the extent they are found applicable, to enforce a provision of a marketing order requiring collective bargaining in good faith to fix prices. Such a provision would be enforceable by injunction under § 8a(6) of the Agriculture Marketing Agreement Act (7 U.S.C. 608a(6)) and violations by processors (but not producers) by failure or refusal to bargain, would subject the processors to the criminal penalties provided by § 8c(14) (7 U.S.C. 608c(14)).

It is of interest to note that, if a minimum price and terms should be agreed upon, the effect of the order would be to prohibit handlers or processors from acquiring the regulated commodity from producers except at the agreed price and upon the agreed terms. Processors would thus be subject to legal proceedings for buying at a lower price but producers could not be penalized for *selling* at a lower price. This kind of discriminatory provision is difficult for us to understand.

In a statement filed with this Committee on the Mondale bill, S. 2973, the Manager of the California Canning Peach Association, Mr. Ralph Bunje, pointed out that pricing for an agricultural commodity is not comparable to pricing for the cost of labor and stated that the two problems could not be dealt with on the same kind of basis. He said also, "* * * the idea of providing authority in marketing orders for establishing minimum prices and terms and conditions of sale or for establishing collective bargaining units is in our judgment not an appropriate use of the marketing orders."¹

The idea is even less appropriate than otherwise, where the principle method of obtaining crops for processing is through contractual arrangements between the producer and the processor, as in the case of fruits and vegetables. The National Commission on food marketing reported that "about 75 percent of the supply requirements of freezers and 70 percent of those for canners were obtained through contractual arrangements in 1964."² The individual requirements of producers and processors who deal with each other under the contractual system could not, we submit, be satisfied by the collective bargaining scheme contemplated by the bill.

¹ Hearings before the Senate Committee on Agriculture and Forestry on the operation of programs established pursuant to the Agricultural Act of 1965 and their continuation and proposed strengthening of farm bargaining power, 90th Cong., 2d Sess., pp. 542-545.

² Food From Farmer to Consumer, Report of the National Commission on Food Marketing, June 1966, p. 53.

Technical Study No. 4 of the Commission, on the Fruit & Vegetable Industry, in Table 8-14 (p. 228) lists a number of the services specified in the grower-freezer contracts studied. Those listed are: seed, fertilizer, herbicides, pesticides, harvesting equipment and other unspecified equipment, harvesting containers, harvesting labor, information on production technology, delivery, and credit.

Those items, sometimes referred to as non-price items will vary with circumstances and with the parties to the contract. They do not lend themselves to the formulation of the kind of fixed obligation which would be imposed under a compulsory collective bargaining scheme such as that contemplated by Title IX of the S. 3590.

The success of crop contracting has been notable, both for producers and processors. We do not want to see the system destroyed by the institution of untried and dubious programs, to the detriment of both grower and processor and the agricultural economy generally.

Title IX of the bill also resurrects a portion of S. 1643, in the 87th Congress, 1st Session (1961), upon which hearings were held before this Committee. The provision in question (§ 905 of S. 3590)³ would authorize the inclusion in marketing orders of provisions for allotments for producers, restricting the amount of a commodity (or any class, grade, or quantity thereof) which a producer may dispose of in any market during a specified period or periods. The order may also provide for allotting the quantity which any handler may obtain from any producer, in order to insure that no producer markets more than his allotment. These provisions are an extension of the present authority for allotment provisions set forth in § 8c(6) (B) and (C) of the Agricultural Marketing Agreement Act (7 U.S.C. 608c(6) (B) and (C)).

The limitation of amounts which may be purchased and marketed by a processor or producer, would constitute a fully effective limitation upon production of the processed food. A commodity which cannot be bought by the freezer obviously cannot be processed. It is in this way the very basis of the freezer's business is placed under the control of the government and the grower committees who administer the marketing order.

Under such provisions the Secretary would be empowered to determine the supply of each commodity available for processing from each producer and the quantity of each grade, size, or quality which the processor could obtain from the producer. One of the tests available to the Secretary for determining individual producer allotments would be the amount of a commodity produced or marketed in such prior period as the Secretary determines to be representative.

We seriously question the competence of the Secretary of Agriculture to make the business decisions in determining the amounts, sizes, grades and quality of the commodities for freezing required by processors.

In fact, we are certain that neither he nor the growers who will advise and assist him and control the machinery for administering marketing orders possess such competence. Even were the Secretary and the growers equipped to make such decisions, we would protest their interference with the processing business in the manner proposed, as unjustified and contrary to the basic economic principles upon which the frozen food industry has built so well.

I want to reemphasize the effect of the contemplated controls upon the growth factor which is such a prominent feature of the frozen food industry, as indicated by the production figures which I have quoted. The historical basis which such proposals as those contained in S. 3590 would establish as determinative of quotas would inevitably operate as a deterrent to the founding of new businesses and the expansion of present business units. The Secretary and the grower committees would be the arbiters of whether a new business was desirable. The same would be true with respect to expansion of existing businesses. Certainly this would amount to an effective stifling of the competitive urge and an abrupt departure from the conditions which have made for industry growth and improvements of its products. The allotment feature of such proposals would constitute a positive notice to entrepreneurs that, even if they could obtain a place for themselves in the frozen food industry, they would be subject, in vital business functions, to the dictates of government and producer regulation. The hazard inherent in dependence upon administrative decision for commodity supply would be discouraging to the most venturesome of investment capital.

³ The Mondale Bill, S. 2973, also contained such a provision.

The Agricultural Fair Practices Act, recently enacted, is designed to protect producers against discrimination by handlers by reason of the producers' membership in cooperative associations.

In the Legislative Findings and Declaration of Policy set forth in § 2 of the Agricultural Fair Practices Act⁴ it is declared that "the marketing and bargaining position of individual farmers will be adversely affected unless they are free to join in cooperative organizations as authorized by law" and that it is the policy of Congress and the purpose of the legislation "to establish standards of fair practice required by handlers in their dealings in agricultural products."

The proponents of those bills have insisted that such legislation was needed to carry out the purposes stated in the Legislative Findings and Declaration of Policy. Certainly the legislation must be regarded as offering every reasonable opportunity to cooperative associations and their members to exercise their full rights of bargaining with handlers on prices and other terms of sale of agricultural commodities, without interference by handlers. In view of the deficiencies of compulsory bargaining, price fixing, and allotment programs to which I have referred, we submit that the field of price negotiations and related commodity controls should be left to the individual grower and his cooperative organization, operating with the protection of the Agricultural Fair Practices Act.

The CHAIRMAN. In fact, all others who may desire to file statements are given until tomorrow at 12 o'clock noon to file statements.

At this point, I would like to insert in the record a statement by Senator Williams of Delaware and one by Representative Robert Price of Texas for the grain sorghum producers.

This will be filed for the record this afternoon or tomorrow.
(The statements referred to follow :)

STATEMENT OF HON. JOHN J. WILLIAMS, A U.S. SENATOR FROM THE STATE OF DELAWARE

Mr. Chairman and members of the Committee, I appreciate this opportunity to testify on S. 3590.

I have two recommendations which I would ask the Committee to consider.

First, this bill proposes to extend the existing farm program for another four years beyond 1969. In my opinion such action is not wise. The present farm program has not been a success in that farm prices today have declined to historically low levels, with the result that American farmers are caught in a serious squeeze between low market prices and high costs of production.

Since the existing farm program would automatically be extended through 1969, in my opinion it would be far wiser to postpone any action at this time and wait until the next Administration has taken office, at which time it could then submit its own farm program.

Second, if, however, the Committee decides to report a bill then I am asking that consideration be given to the inclusion of my amendment which would place a limit of \$10,000 as the maximum payment which could be made to a single farmer or corporate-type farm corporation.

The present policy of unlimited payments does not help the small farmer, who as the result of high cost of equipment is not in a position to idle any part of his acreage. Quite the contrary, unlimited payments have the effect of the federal government's underwriting the expansion of the large corporate-type operations. The small farmer needs this advantage.

It has been estimated that the adoption of a ceiling of \$10,000 on all farm payments would save the taxpayers over \$600 million per year, and certainly at a time when our government is confronted with a staggering deficit of \$25 billion for fiscal 1968 and at a time when the American taxpayers are being asked to shoulder the burden of a ten per cent tax increase, more appropriate uses could be found for these funds.

I urge that the committee include this amendment as a part of any bill which it reports.

⁴This was S. 109.

STATEMENT OF D. G. "BILL" NELSON, EXECUTIVE VICE PRESIDENT, GRAIN SORGHUM PRODUCERS ASSOCIATION, AMARILLO, TEX.

Mr. Chairman and Members of the Committee, the Grain Sorghum Producers Association is privileged to submit this statement for consideration by this distinguished committee. As the research, market development and service organization representing grain sorghum, the nation's largest commercial feed grain next to corn, farmer members of GSPA have appeared before or submitted statements to this august committee since 1955 supporting your efforts in developing effective public policy for strengthening farm income. GSPA has also maintained liaison with USDA, whom you have charged with administering these important programs. This three-way coalition—the farmer and his organization, the legislative branch and the executive branch of government—has worked to strengthen farmer income and meet other stated objectives such as adequate supplies reasonably priced and expansion of domestic and export markets.

Mr. Chairman, as you remember, GSPA was here asking for enactment of an Emergency Feed Grain Program in 1961. It was back again in 1965 asking for extension of the Emergency Program through the Food and Agriculture Act of 1965. Today GSPA would like to report to you the effects of these two programs on grain sorghum producers' incomes, as well as let you know the extent to which they are using the feed grain program you developed for their use.

Total average farm price received by farmers for grain sorghum between 1956 and 1960—the four years prior to the enactment by Congress of the Emergency Feed Grain Program—was \$1.57 per hundred. By 1964—the last year of the Emergency Program—the average price received, including the cash sale price and all government payments, had reached \$2.00 per hundred. During each of the years during the operation of the Feed Grain Programs under the 1965 Act, the total average price has exceeded \$2.00 per hundred and ranged up to \$2.36. Yet, the direct payment system has allowed grain users at home and abroad to pay about the same prices as they were paying before the programs.

Not just a few, but the vast majority of the grain sorghum producers are using provisions of the Feed Grain Program. My understanding from USDA is that preliminary figures indicate that in 1968 over 75% of the grain sorghum base acres are signed on participating farms—or 18.6 million acres of the 24.7 million acre base. GSPA believes that *this strong participation is because farmers' individual income is being strengthened by the program*, and not just because farmers like regulations. GSPA is aware that grain or any commodity must be produced for market and that market expansion must accompany production expansion. That is why the domestic and export expansion that has been developing while these Feed Grain Programs have been in effect is so important. Grain sorghum exports have increased from 71 million bushels in 1960 to 248 million bushels in 1967. Domestic use of grain sorghum has leaped from 428 million bushels in 1960 to 614 million bushels this past year.

Mr. Chairman, because of these three facts reviewed (1) price improvement, (2) export expansion and (3) domestic market expansion, *the Grain Sorghum Producers Association requests and strongly urges the continuation of the Food and Agriculture Act of 1965 by this Committee and by this Congress, as would be done by Title II S-3590.*

There is one change GSPA would like to see the Committee make in Title IX of the Bill. That is on line 7 of Sec. 905. We prefer to not have grain sorghum and the other commodities listed as being exempt. Rather, that the same exemption be maintained by simply exempting "all commodities operating under price support programs".

Mr. Chairman, thank you and this Committee for your kind consideration of these views as you continue your awesome task of developing programs for agriculture that strengthen and complement the total legislative task of this Congress. We are grateful also for the kind consideration of our own headquarters district Congressman, the Honorable Robert Price, himself a distinguished member of the Committee on Agriculture & Forestry of the House of Representatives, for his submitting this statement on our behalf during this busy farming season.

The CHAIRMAN. In addition and without objection, I will ask that the letter addressed to me, dated June 24, 1968, from the American Cotton Shippers Association be inserted in the record at this point.
(The letter referred to follows:)

WASHINGTON, D.C.,
June 24, 1968.

HON. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture, U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: On behalf of the American Cotton Shippers Association, I wish to express our disagreement with the inclusion of cotton under the scope of Marketing Orders in Title IX, Section 901 of S. 3590.

The American Cotton Shippers Association was founded in 1924, and is basically comprised of merchants, shippers, and exporters of raw cotton. The 678 member firms of the ACSA handle over 70% of the domestic cotton crop and 90% of the export market. The Association is an affiliation of six federated associations, located in fourteen states throughout the cotton belt: Arkansas-Missouri Cotton Trade Association, Atlantic Cotton Association, Oklahoma State Cotton Exchange, Southern Cotton Association, Texas Cotton Association, Western Cotton Shippers Association.

In our statement of May 2, 1968, we indicated our views on the Extension of the Food and Agriculture Act of 1968 and the National Agricultural Bargaining Act, S. 2973. We have no objections to the changes relative to cotton as contained in Title III of S. 3590 nor in any other section with the exception of Title IX, Section 901.

At our Forty-Fourth Annual Convention in Atlanta, Georgia on April 27, 1968, the following resolution passed by a unanimous vote:

"If passed as presently written, the National Agriculture Bargaining Act would establish a National Agriculture Relations Board for the purpose of collective bargaining between producers and processors to establish prices. It also expands *marketing orders* to include any commodity when a majority of producers so desire. Furthermore, it includes the provisions of S. 109 before it was amended by the Senate and the House. The American Cotton Shippers Association strongly opposes this bill because of the adverse effects it would have on the orderly marketing and processing of cotton.

"The cotton producer presently enjoys the security of being able to market his cotton through the CCC loan, cooperatives, gins, FOB merchants, shippers and mill buyers. Today cotton is operating in a free and open market with a viable futures trading for the first time since the Korean War. Present competition for the producer's cotton has resulted in record high income for cotton farmers, and the price fixing mechanisms prescribed in the Mondale Bill are not suitable to the cotton industry."

It seems inconsistent that S. 3590 would include cotton under the scope of marketing orders, and exclude cotton from the Collective Bargaining provisions. It would be impossible for the U.S. Department of Agriculture to administer a program for a Marketing order for cotton for the following reasons:

1. Marketing orders are usually limited to crops grown in specific regions of the country—cotton, however, is grown across this country from the Atlantic—to the Gulf of Mexico—to the Pacific—19 states having cotton allotments with cotton mainly produced in 14 states.

2. Marketing Orders are usually restricted to crops which have a very limited number of qualities or grades, e.g. tobacco, milk, cherries—cotton, however, has 14 staple lengths and 38 grade or quality categories—thus there are 532 combinations of grade and staple length differences with a loan rate set for each one—in addition we must consider the quality factors of micronaire and pressley which control additional premiums or discounts on the price of the cotton. (See attached difference sheet.)

3. As a price supported crop, cotton is already subject to intensive controls and regulations on a day-to-day basis which afford the producer all the protections which would accrue from a marketing order.

To our knowledge, no cotton producing organization has requested the USDA or the Congress to establish marketing orders for cotton, and all members of the cotton industry seem equally satisfied that the traditional marketing apparatus provides for each producer the opportunity to achieve a maximum price for his cotton.

The Association respectfully requests that this letter be included in the record of the Committee hearings on S. 3590.

Sincerely,

W. D. LAWSON, III,
President, American Cotton Shippers Association.

AVERAGE PREMIUMS AND DISCOUNTS FOR CCC SETTLEMENT PURPOSES FOR OFFERS RECEIVED ON JUNE 24, 1968
GRADE AND STAPLE DIFFERENCES

Grade and code	Staple (inches) and code													
	1 3/16 (26)	7/8 (28)	2 9/32 (29)	1 5/16 (30)	3 1/32 (31)	1 (32)	1 1/8 (33)	1 1/16 (34)	1 3/32 (35)	1 1/8 (36)	1 5/32 (37)	1 3/16 (38)	1 7/32 (39)	1 1/4 (40)
White:														
G.M. (11)	583	542	491	399	240	64	374	590	678	736	761	843	1,001	1,148
S.M. (21)	589	548	497	405	246	57	369	585	672	731	754	834	989	1,136
M. + (30)	621	575	523	435	272	33	345	563	648	700	722	800	955	1,102
M. (31)	640	593	543	454	290	B	321	530	621	664	687	757	912	1,052
S.L.M. + (40)	733	677	630	548	383	132	208	412	496	536	558	626	773	876
S.L.M. (41)	774	724	674	597	443	200	148	332	413	466	487	550	695	795
L.M. + (50)	846	804	761	671	528	335	54	97	163	188	205	233	253	278
L.M. (51)	886	841	800	713	575	381	118	19	91	116	131	156	176	198
S.G.O. + (60)	964	928	890	816	720	523	386	299	276	274	274	274	274	274
S.G.O. (61)	1,012	975	937	862	760	599	471	395	375	372	372	372	372	372
G.O. + (70)	1,094	1,059	1,027	958	860	717	609	550	531	522	522	522	522	522
G.O. (71)	1,143	1,110	1,078	1,012	913	776	669	610	596	588	588	588	588	588
Light spotted:														
G.M. (12)	667	619	567	495	350	92	220	413	485	524	542	605	790	917
S.M. (22)	680	631	579	507	362	106	208	399	472	510	528	590	773	883
M. (32)	742	647	576	436	436	190	436	318	381	433	451	501	641	736
S.L.M. (42)	861	811	764	696	561	359	427	37	80	101	109	126	146	171
L.M. (52)	989	940	902	832	727	575	470	380	356	355	355	355	355	355

MIKE DIFFERENCES

Mike readings			Mike readings		
Groupings	CCC Catalog code	12 Mkt. Ave.	Groupings	CCC Catalog code	12 Mkt. Ave.
2.6 and below.....	(1)	-660	5.0 through 5.2.....	(6)	-58
2.7 through 2.9.....	(2)	-504	5.3 and above.....	(7)	-140
3.0 through 3.2.....	(3)	-315			
3.3 through 3.4.....	(4)	-129	Average Mike.....		-55
3.5 through 4.9.....	(5)	0			

Source: United States Department of Agriculture, Consumer and Marketing Service, Cotton Division.

The CHAIRMAN. And also a statement by F. Marion Rhodes, president, New York Cotton Exchange, which is dated June 26, 1968, I ask that it be placed in the record at this point.

(The statement referred to follows:)

STATEMENT OF F. MARION RHODES, PRESIDENT, NEW YORK COTTON EXCHANGE, NEW YORK, N.Y.

Mr. Chairman: My name is F. Marion Rhodes. I am President of the New York Cotton Exchange and am appearing here today on behalf of that organization. I welcome the opportunity to present our views on the extension of Title IV of the Food and Agriculture Act of 1965. My remarks will be confined to cotton.

The enactment of the "Food and Agriculture Act of 1965" in November of 1965 was a major turning point in the history of the United States cotton industry. During the past two crop years the cotton industry has succeeded in halting the deterioration that had been taking place at an increasingly rapid rate for more than two decades. In my opinion the present program is the first economically sound program American cotton farmers have had since 1935. Despite the fact this legislation has been in effect for less than three years, it should be apparent to everyone that the U.S. cotton industry is now moving in the right direction. The first two years of the four-year program has resulted in the following major improvements in our cotton situation:

1. U.S. grown cotton has moved into domestic textile mills and into export channels at the same price.

2. Domestic consumption of cotton in the U.S. has increased substantially. Although it is impossible to forecast accurately, it is generally recognized that without the 1965 Act domestic consumption would have continued to decrease at a rapid rate.

3. Exports of cotton during the 1966-67 and 1967-68 marketing years are expected to average about 4.5 million bales compared with an average of about 3.5 million bales for the two preceding years.

4. The August 1, 1966, record high carryover of 16.9 million bales of cotton is expected to be reduced to about 6.7 million bales by August 1, 1968. About 6.0 million bales of this carryover will be held by the private trade rather than the Commodity Credit Corp.

5. The August 1, 1966, record high Commodity Credit Corporation stock of cotton consisting of 12 million bales has been reduced to less than 100,000 bales as of this date.

6. The Commodity Credit Corporation is expected to acquire about 1.6 million bales of cotton from the 1966 and 1967 crops of cotton. This compares with 10.2 million bales of cotton acquired from the 1964 and 1965 crops of cotton. These statistics are positive proof that under the 1965 Act American cotton has been moving through normal trade channels from the producer to the American mills or into export channels instead of into the CCC loan program.

7. With the liquidation of CCC stocks of cotton and the lower loan, prices became sufficiently free of the influence of government price support programs to fluctuate freely with changes in supply, demand and substitutability. The New York Cotton Exchange responded to these changing conditions by designing a new cotton futures contract based on Middling 1 $\frac{1}{8}$ inch cotton. Trading in the new contract during the current marketing year has already exceeded 19 million bales. The New York Cotton Exchange has returned to normal operations

and again performs the important function of providing a hedging medium for producers, merchants and textile mills. This hedge protection has enabled business to operate on a smaller margin and still make a profit. Producers have hedged millions of bales of their anticipated 1968 production either directly or through participating merchants and mills.

8. The fluctuation of spot cotton prices well above the CCC loan levels have encouraged cotton producers to concentrate on producing those staple lengths and qualities of cotton that are in greatest demand by domestic mills and for export. For example, more than 62 percent of the 1967 crop was $1\frac{1}{8}$ inch and longer, up from the previous high of 56 percent in 1966.

I submit, Mr. Chairman, that this is an impressive list of accomplishments for a program that has been in operation for just a little more than two years. It is particularly impressive when we consider that farm income has been maintained while these other adjustments have been worked out. It is true that substantial government payments have been necessary to bridge the gap between world market prices and the price which a cotton producer must receive if he is to recover his production costs and receive a fair return on his investment in land, equipment, etc. Cotton producers will continue to need the helpful cooperation of the government if they are to stay in business. The direct payment approach is the most effective way this assistance can be provided. All of the taxpayers' money spent under this type program goes directly into the hands of the producer, the party the program is designed to help.

It is also noteworthy that the initial producer opposition to the current cotton program has long since evaporated. In fact, I haven't heard an actual cotton producer complain about the basic provisions of the program since it went into effect.

The following basic provisions of the current program are essential and should be maintained:

1. A competitive one-price system which makes cotton available to U.S. textile mills at the same price paid by foreign mills must be maintained.

2. The CCC loan program, if there is to be one, must be fixed at a sufficiently low level so as to avoid interference with the marketing of cotton. The loans available to cooperators should be substantially below the estimated world price of cotton.

3. For the time being, until cotton producers can be competitive on their own with producers in foreign producing countries the direct payment program must be continued.

4. The 16 million minimum national acreage allotment is necessary to assure an ample supply of the desired qualities of cotton for domestic consumption and for export.

5. There should be no maximum dollar limitation on producer participation in, or benefit from, a support or payment program.

We realize that the current program is not perfect and that some changes and modifications are desirable in order to simplify program administration and reduce costs. We are convinced, however, that any attempt to rework detailed program provisions at this late date would result in no Congressional action during this session of Congress. Consequently, I have refrained from discussing the many program changes set forth in S. 3590.

Mr. Chairman, we would like to urge this Committee to extend Title IV of the Food and Agriculture Act of 1965 for one year, during this session of Congress. To postpone consideration of future cotton legislation until the 1969 session of Congress will increase greatly the uncertainty surrounding the American cotton industry and permanently weaken its ability to compete with the man-made fiber industry. Not only cotton producers, but both the domestic and foreign consumers of cotton must be able to make forward plans.

The failure of Congress to extend the program this year, and the prospect of the U.S. returning to above-market price loans to cotton producers, will encourage an expansion of cotton acreage in foreign countries. The production from this increased acreage will replace future exports from the United States. We must not overlook the fact that once cotton is produced in any foreign country, it will be sold regardless of price—foreign producers simply do not have the financial resources to store and hold a crop for a higher price.

I think it is also clear that the uncertainty caused by the failure of Congress to extend the cotton program during this session of Congress will force domestic textile mills to accelerate the shift from cotton to man-made fibers. They will be unable to forecast either the availability or price of raw cotton in future years. Once a market is lost, it is extremely difficult to regain.

Since the continuation of the basic principles of the current program are essential to the future growth and prosperity of the American cotton industry, we strongly urge that all amendments to the Food and Agriculture Act of 1965 be postponed until the next session of Congress and that a simple one-year extension of the Act be passed immediately.

The CHAIRMAN. Does anyone else desire to be heard?

If not, this completes the hearings on the extension of the Agricultural Adjustment Act of 1965.

I wish to state that we will try to have the hearings printed as early as possible. It may be possible that before the July 4th holiday starts that we may mark the bill up; if not, we will wait until around the sixth or the seventh of July to mark up the bill and present it to the Senate.

The committee is adjourned until further order from the Chair.

(Whereupon, at 11:45 a.m., the hearing was concluded, and the committee adjourned subject to the call of the Chair.)

(Additional statements filed for the record are as follows:)

STATEMENT OF HON. ABRAHAM RIBICOFF, A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Mr. Chairman, I appreciate the opportunity to submit a statement before this distinguished committee. The bill under consideration, S. 3590, is designed to extend, without major revision, the farm policies which have been in effect since 1965. The present legislation, the Food and Agriculture Act of 1965, does not expire until 1969, and I urge this committee to postpone efforts to extend this legislation until further study has allowed us to become more familiar with its successes and failures.

Mr. Chairman, I am not satisfied with our farm policies. I am not satisfied with a policy which is inefficient and expensive. And I am not satisfied with a program which ignores a large part of our farm population. This is no time to hurriedly promote the policies of the past. We must, instead, carefully study our failures and try to develop programs which will be more efficient, more humane and less costly.

Our present farm policies are inefficient and expensive. The Commodity Credit Corporation recently released figures showing program losses amounting to almost \$2.9 million for the first three quarters of fiscal 1968. In fiscal 1967, the C.C.C. lost the staggering sum of three and half million dollars. In fact, farm program costs for the last four years have almost equalled the money spent for the programs in the previous thirty years.

Even if the farmers were benefitting from these programs, the cost would be hard to justify. But the farmers are not benefitting by any means. At the end of 1967, the farm parity ratio stood at 74, which was the lowest point this indicator had reached since 1933. And by May, 1968, parity had fallen to 73.

The Act of 1965 has provided no significant improvement in farm prices paid to farmers and has failed to bring farm production under control. In a time when the cost of living is reaching new high levels, the farmer—who is the only producer who must buy at retail and sell at wholesale—is facing a serious price squeeze. In short, neither the farm population nor the public is getting its money's worth.

In light of its high cost and the failure to improve the lot of the farmer, our present farm policy must be drastically revised.

We often speak of the eleven million farmers in the United States. But, like all segments of population, there are broad and important distinctions between farmers. Perhaps the most important is the wide gulf between the large corporate farmer and the small, so-called, family farmer. Yet, our farm policy seemingly ignores the latter group.

The technological revolution of the twentieth century has promoted the growth of the vast corporate farm. Our farm policy has been primarily directed toward providing security and well-being for the owners of these large farms. Yet we cannot forget that two-thirds of the farms in America gross less than \$10,000 per year. These are the people which our expensive farm programs have largely bypassed.

The results have been unfortunate. Average net income on farms grossing less than \$10,000 is a meagre \$1,500 and has shown no improvement in the last seven years. Farm failures have been largely confined to the small farm which is unable to take advantage of the vast subsidy programs of the federal government because they cannot afford to least 20% of their acreage idle to qualify.

It may be true that larger farms are more efficient economic entities, but this is no excuse to leave the rest in the lurch. The number of small farms has declined by approximately thirty percent since 1960. Small farmers have been forced to leave their homes and find work elsewhere. Often they are driven into the cities where they are ill-equipped by training or temperament to find urban jobs. This migration has increased the burdens put on city welfare rolls and heightened the tensions instigated by unemployment.

Last year, the President's National Advisory Commission on Rural Poverty, reported that the farm programs have "helped to create wealthy landowners while largely bypassing the rural poor."

The record bears this out all too clearly. Only the larger farms can afford to participate in the present subsidy program. In 1967, for example, only 48% of the wheat farms signed up for the federal programs, but these farms constituted 84.3% of the nation's wheat acreage.

The recent hearings before the Senate Committee on Appropriations provide ample testimony that there are vast subsidy payments, sometimes amounting to over a million dollars per person, going to a mere handful of large corporate farms. In county after county, our farm policy is pouring in subsidies to a mere handful of people while others are literally starving to death on small family farms which are unable to take part in this bonanza. In some of the counties which were most heavily represented in the Poor Peoples Campaign in Washington, two or three hundred large landowners shared in federal subsidies amounting to over a million dollars in 1967 while the rest of the rural population suffered along on a mere pittance from our food distribution programs.

Mr. Chairman, I cannot support a program which gives so much to so few, while ignoring so many.

We have a year more to run on the Food and Agriculture Act of 1965. Its failures are many and serious, and this is no time to lock the farmers into another four years of its shortcomings. We have time to develop a better policy.

This year I introduced legislation which would end the price support payments and acreage diversion programs for wheat and feed grains. The savings engendered by ending these wasteful and extensive programs would be enormous. This program would also provide a starting point for a complete and badly needed reexamination of our farm policies.

This is not time for hasty action. I suggest we hold back legislation which would authorize a program based on the failures of the past.

STATEMENT OF OAKLEY M. RAY, VICE PRESIDENT, AMERICAN FEED MANUFACTURERS ASSOCIATION

The American Feed Manufacturers Association is the national association of the feed manufacturing industry. Members of the Association produce more than 70% of the formula feed which is sold by feed manufacturers.

Farmers must receive a fair return for their labor and investment if feed manufacturers are to receive a fair return. We know from experience that a manufacturer's financial results are closely correlated with the financial results of his customers.

However, we have serious reservations about the need for or the wisdom of Title IX of S. 3590 which would lay the groundwork for an entirely new price-making system for U.S. agriculture and for a tightly controlled system of production where no one would be permitted to produce without a quota. We believe that over the long-run the competitive free market system will bring more satisfactory results for both consumers and producers.

Prices in a free market change from day to day to adjust supply and demand. It is unlikely that any committee or bargaining group could arrive at a price which would be as satisfactory to either buyers or sellers over the long-run. There has been ample evidence of this in other countries which have attempted to operate with administered prices. There has also been experience in this country under wartime conditions. When prices are set too low, supply disappears

rapidly, and many consumers cannot find any product to buy. When prices are set too high, available supply cannot be sold. This is an especially serious problem in the case of perishable products, and in the case of such products as hogs, cattle, broilers and turkeys, where unsold animals continue to grow, thus adding to surplus production.

It would be difficult, if not impossible, to control the production of many agricultural products which are produced throughout much of the country by tens of thousands of producers. An army of inspectors would be required to check each farm unit regularly to verify that each was producing no more than its quota. Substantial price increases would be required just to cover administrative costs.

Production quotas for each producer would likely be based upon historical production. Efficient farmers would not be able to expand as they do under a free market situation. This would increase average production costs for the product controlled.

If the output of agricultural products was restricted to the point where prices increased substantially, import-export problems would result. Production would be increased in other countries which would eliminate some of our export markets. Imports into the U.S. would increase, and there would be pressure on Congress to erect import barriers against them.

Substantially higher prices would also result in the more rapid development of imitation and substitute commodities. We have already seen a number of examples where substitutes have taken over much of the market for a given agricultural product.

In conclusion, we urge the Committee to delete Title IX of S. 3590. The proposed changes have far-reaching implications, and no favorable action should be considered without extensive study and deliberation. We believe that the competitive free market system will bring more satisfactory results for both consumers and producers over the long-run.

STATEMENT OF BERT TOLLEFSON, JR., PRESIDENT, AMERICAN CORN MILLERS
FEDERATION AND EXPORT INSTITUTE

Mr. Chairman and Members of the Committee:

My name is Bert Tollefson, Jr., and I am the President of the American Corn Millers Federation and Export Institute.

I am grateful for this opportunity to appear before you to discuss the implications of S. 3590, as it relates to corn.

The American Corn Millers Federation represents the dry corn milling industry. Our mills are located in nearly every State of the continental United States. Our Federation is composed of mills which account for more than 80 percent of the corn products milled by the dry process in the United States.

Legislation to improve farm income is not only important to our Nation's farmers, but to all other segments of our economy as well. As a trade association, we endorse the objectives of the proposed bill, i.e., to improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

We believe in a fundamental concept that corn farmers, along with other producers, should share in the prosperity of the economy as fully as their contribution. In view of this belief, we feel that our contribution to this discussion should reflect our desire not to do away with the feed grain programs, but to improve it.

We approach this matter of improvement with the following assumptions:

(a) Programs should enable—not prevent the American farmer and processor from competing effectively in domestic and foreign markets. This means market prices which are at world levels—not requiring export subsidies. This has enabled feed grain exports—primarily for dollars—to soar to the billion dollar level. We should be competitive in world markets, every minute of every day. It is only that way that we can share fully in future growth of the corn and corn products trade. (b) We must be much more vigorous in breaking down the barriers to trade in the Common Market. The EEC Common Agricultural Policy operations relative to corn include a rising variable levy system involving internal prices at uneconomic levels. This stimulates production and reduces consumption and imports.

The recent GATT negotiations did not lower these tariff walls. As a matter of fact, they were recently increased.

In order to help farmers share better in the overall prosperity, we feel it essential that the recurring fear of government market price domination be reduced substantially. Resale policy actions should not be left to the judgment of individuals. Policy with respect to government sales should be guided by clear standards.

We believe that such actions should not be left to the judgment of individuals, that the Department of Agriculture should not seek to interfere with day-to-day market price shifts, that our policy should be guided by clear standards and consistent application. The Congress should determine the minimum prices and conditions under which sales will be made and statutory standards should be stated in terms of price relationships to the loan. Such standards are essential if the market is to have its true function and if those who make up the market are to have reliable information on which to base their business decisions.

We believe that there should be established minimum resale standards sufficiently high to prevent sales of the type which have depressed prices in the past. The Congress moved in this direction when it approved the Food for Peace Act in 1966. However, we feel that effective policy requires resale price levels to apply generally, rather than only when the Secretary estimates that carryover will be below a certain percentage of annual disappearance. The minimum resale price should be 115 percent of the loan, plus carrying charges.

PROPOSED MARKETING ORDER LEGISLATION

We are deeply concerned with the possibility that marketing order authority should be extended to corn. We recognize that corn is exempt from the collective bargaining provisions. This covers minimum prices and other minimum terms and conditions under which any commodity or any product or any grade, size, quality, variety, species, disposition or volume thereof may be acquired by handlers from producers or association of producers. *It is probable that it was the intention of the Committee that corn be exempt from the marketing order legislation, as it has been in the past.* This is especially true in view of the continuing feed grain program.

There are already in existence for corn the following programs which help farmers' bargaining power:

1. A diverted acreage program, including production payments based on projected yields, and payments for diversion beyond the 20 percent requirement;
2. Loan program;
3. Resale program;
4. Resale limitation provisions (which we propose to strengthen);
5. P.L. 480 corn sales and product donation;
6. Feed Grain Council efforts for market development.

However, as we interpret the proposed Section 901, corn could be subject to the marketing order provisions except for those factors relating to collective bargaining provisions. The marketing order authority might be extended to corn by specifically exempting corn from its current exclusion, if the Secretary determines by referendum that a majority of the affected producers approve such extension.

Under a marketing order, statutes provide for several types of regulatory activity. Any one or a combination of the following methods may be used:

(a) Quality regulation—That is accomplished by specifying the grade, size or quality which may be marketed.

(b) Regulation of quantity—This involves the quantity which may be shipped to market during a specified period or periods. The total quantity to be marketed is allocated among all handlers on the basis of past performance.

We are especially concerned by Section 906 which provides the following:

"Allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods.

"Allotments hereunder may be in terms of quantities or production from given acres or other production units.

"When allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a (5) of this title."

Farmers do not sell the same proportion of their corn production every year. Many farmers do not sell any corn in some years, while others sell all the corn they produce. The statistics of corn production by state and nationally could vary substantially every month during the harvest and marketing season. The December Crop Report, the final one for the season, is often revised the following December; sometimes by a hundred million bushels or more. The harvesting extends over many months, and is influenced by geography and weather. Past performance is not a good indicator of the current situation.

The Congress has wisely decided in the past that any marketing order should be limited to the smallest regional production area possible. *A national order for corn would be impossible to administer.*

Marketing orders are not simple to operate. It is essential that the producing group be of one mind and sufficiently in accord concerning the program to be undertaken that it will not fall of its own weight. Likewise, it is essential that the handlers of the commodity also recognize that the program is performing a useful function if it is to be administratively feasible. In fact, this need for unified and coordinated industry action is the chief reason why the Agricultural Marketing Agreement Act as now written calls for order operations in as limited an area as is feasible.

For most specialty commodities, there are sufficient differences between areas and regions that in developing marketing orders on a regional or national basis not much progress has so far been made. In the case of potatoes, the several crops operate under various area or regional marketing orders; but there is no evidence that potato producers would be able to agree on operating under a single national marketing order. This failed in the past.

Actually, the most difficult question which arises with national marketing orders has to do with administrative machinery. Much of the success of marketing orders depends upon local administration and farmer participation and responsibility, including frequent meetings of farmers and handlers on a face-to-face basis. Just how this administrative machinery could be set up on a national basis is not easy to contemplate. Also, marketing orders are regulations. Every rule or regulation involved is a rule that under the Administrative Procedure Act, and the number of farmers and handlers who have complaints and difficulties under the regulatory rules will ordinarily increase as the area covered is widened. Clearly, the advantages of local initiative and responsibility are much easier to come by under area orders than would be the case under a national order.

The proposed marketing order provisions permit limitation of acreage and marketing of corn. Thus, with a favorable vote of a majority of those voting, all farmers could be *forced to comply* with both acreage and marketing restrictions. Actually, the feed grain program would be completely changed from a voluntary to a compulsory program. In view of past legal history, feeding one's own corn could be considered as marketing, and could be severely circumscribed or even proscribed if a farmer did not conform to the acreage provisions. A farmer would have to comply with all the rules in order to sell or use his own production. The farmer could be told how much, to whom to deliver his commodity, and the dates of delivery.

Failure to comply could involve use of the injunctive procedure and severe penalties to producers.

Such centralized marketing directives would completely disrupt the corn milling operations. Our mill functioning would be dependent upon the quantity of corn which we would be permitted to handle or purchase from handlers. We could not make the long term sales contracts with customers, so essential for efficient mill operation. The reduction in efficiency would be costly, not only to us, but also to consumers.

Currently, we are on the market as raw material buyers and product sellers, continually. Our highly competitive industry would be continually subject to changing Federal Register regulations.

There is a basic conflict between this unique proposal and the free market objectives of the feed grain program. The net effect of this scheme as it affects corn is the use of compulsion, injunction and market destruction.

We recommend that the current exclusion of corn from marketing order authorization be continued.

Thank you.

SALT LAKE CITY, UTAH, June 26, 1968.

Re S. 3590.

HON. ALLEN J. ELLENDER,
 Chairman, Senate Committee on Agriculture and Forestry,
 Old Senate Office Building, Washington, D.C.

DEAR SENATOR ELLENDER: In title V of your bill, S. 3590, the National Wool Act is extended in its present form from December 31, 1969, to December 31, 1973. This is in line with the testimony we presented before your committee in April. We therefore strongly endorse and appreciate your action in this regard.

We would be happy to have this letter made a part of the hearing record.

Sincerely,

EDWIN E. MARSH,
 Executive Secretary, National Wool Growers Association.

COLUMBUS, OHIO,
 June 25, 1968.

Senator ALLEN J. ELLENDER,
 Chairman, Senate Committee on Agriculture and Forestry,
 Old Senate Office Building, Washington, D.C.

MR. CHAIRMAN: Regarding S. 3590, due to the brief period in which hearings have been scheduled on this bill, we are unable to make a trip to Washington at this time to testify in person before the committee. However, we would appreciate if this telegram could be read to the committee and be made a part of the committee's official hearing record.

Briefly, in the way of background, Independent Livestock Marketing Association is a trade organization of approximately 150 auction and daily markets located in Ohio, Indiana, Illinois, Iowa, Mississippi, Missouri, Kentucky, and Michigan. Last year, our members marketed nearly 8 million head of hogs, cattle, and sheep for their farmer customers.

Our members not only own and operate competitive markets for the sale of all farmers livestock, but almost all of us own and operate a farm, and feed livestock; therefore, we have a daily working knowledge of livestock production and marketing, and are personally concerned with the prices farmers receive for the livestock.

We appreciate the concern that the Congress and the administration have shown in attempting to improve the economic position of the farmer through this type of legislation. But, we submit to you that the marketing orders and compulsory bargaining arrangements are not compatible with the livestock production, marketing, and processing patterns which are deeply rooted throughout the United States today.

It is one thing to talk of controlling the production and marketing of a commodity such as cotton with its restricted areas of production, and/or a commodity such as milk with its limited number of processors, but it is an entirely different matter to pose the same set of rules to a widely produced marketed and processed commodity such as livestock.

We further run into the practical complication of attempting to control the production cycle of livestock in order to meet arbitrary quotas set-up match an equally arbitrary minimum price for the various grades of livestock. This quite clearly would be far more involved than restricting the number of acres to be planted to a specific crop.

Equally unworkable is the matter of relating a minimum price to a certain grade or quality of livestock. Since live grades are often determined by buyers evaluating the animal individually while bidding against one another, the proposed legislation could imply the destruction of the competitive livestock marketing system, and force the sale of animals direct to slaughters on a rail and grade basis in order to determine that the minimum price is being paid for the exact grade involved or, if not this, it could imply a team of official graders of livestock, who could not possibly attend all markets where livestock is being sold on a given day. Therefore this could mean the abandonment of some markets, and force their farmer customers to travel to more distant points which, according to their own present day free choice they have not chosen to do.

Although there may be those involved in the growing, marketing and processing of certain farm commodities that feel this type of legislation will benefit them, we agree with representatives of the American National Cattlemen's Association, and the National Livestock Feeders Association, as well as others, that

title nine of this bill is potentially dangerous to the free market system and at the very least should not apply to livestock because it is nationwide in scope and would not lend itself to control under marketing orders.

Therefore, Mr. Chairman, we ask that this committee give serious consideration to eliminating title nine of this bill, and exclude livestock from this legislation in all sections where applicable.

In conclusion, we submit as part of our written testimony a concise treatise by our executive secretary entitled "Let's talk about bargaining." Fifty copies are being mailed under separate cover which we ask to distribute to each member of the committee, and made available to those seeking copies of the testimony before this committee. We feel the treatise is a far reaching insight as to the most probable results of marketing orders and compulsory bargaining arrangements for livestock on a national basis. We ask that this, too, be made part of the record. Respectfully submitted.

CHARLES LUGBILL,
President, Independent Livestock Marketing Association.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry, U.S. Senate, Old Senate Office Building, Washington, D.C.

DEAR SENATOR ELLENDER: The National Independent Meat Packers Association respectfully submits this statement to the Committee to express its opposition to Title IX of S. 3590, which would enact various amendments to the Agricultural Marketing Agreement Act of 1937.

Title IX of S. 3590, which in its essentials is the same as Title II of S. 2973, would establish a procedure under which any agricultural commodity—including livestock—could be subjected to comprehensive supply controls through marketing orders. The amendments further would provide authority in the Act for a compulsory collective bargaining procedure as to price and other terms of purchase and sale of all such commodities, including livestock.

Our Association firmly believes that artificial controls on the supply of agricultural commodities, such as through marketing orders, have not proved to be in the best interest of either producers or processors, and would not be so in the case of livestock. We share in this regard the grave concern which recently has been expressed to your Committee, by officials of the principal national organizations of cattlemen, livestock feeders, farmers, and processors of agricultural products.

We strongly support voluntary, free and open negotiations between producers and purchasers of agricultural commodities and products. We believe that, unless these negotiations can be conducted in response to prices resulting from free and competitive market conditions, there can be no assurance of either maximum efficiency in production, processing and marketing of agricultural products or of adequate supplies of meat and other foods.

The proposal to write into the Act, through Title IX of S. 3590, authority whereby the producers of an agricultural commodity, such as livestock, could impose compulsory collective bargaining on all producers and processors thereof, in our view, is wholly unjustified. This proposal apparently is based on the assumption, which we believe to be erroneous, that producers lack adequate bargaining power in their negotiations with processors of their commodities.

The bargaining power of producers as compared to that of processors, of course, depends on a number of factors. We submit that there are numerous alternatives open to producers—such as the use to be made of their land and facilities—which are not open to processors. But it is undeniable that processors, unlike meat packers and other processors, are able to take advantage of their exemption under the federal antitrust laws to bargain collectively for the sale of their production.

Under the Capper-Volstead Act, agricultural producers may combine to form agricultural cooperative associations to process or to sell their production, exempt from the prohibitions of the Sherman Act against collective action. Producer members of such cooperatives, unlike other commercial organizations, may and do agree in advance as to the price they will charge purchasers of their livestock and crops, and may and do delegate to their association the exclusive right, as their marketing agent, to negotiate for the sale of their produce.

Moreover, at the request of certain farm groups, the Congress only recently enacted S. 109 in order further to assure and preserve freedom of choice

and action in the purchase and sale of agricultural commodities for processing.

Our Association believes that competition on equal terms is a keystone of the structure of a free economy, and that if that economy is to remain free and sound, no agency of the government, and no private group acting under further exemption from the antitrust laws, should be given administrative or legislative power to regulate agricultural production or marketing activities, or to negotiate prices and other terms of trade through group marketing activities.

Accordingly, by action of its Board of Directors, I am authorized to state that our Association is opposed to the enactment of Title IX of S. 3590 and to urge the Committee on Agriculture and Forestry to delete it from the bill.

Respectfully submitted,

JOHN A. KILLICK,

Executive Secretary, National Independent Meat Packers Association.

PHOENIX, ARIZ., June 19, 1968.

HON. ALLEN J. ELLENDER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: We thank you for sending us a copy of S. 3590 and the explanatory release.

In lieu of sending a representative to Washington to testify before your committee in support of S. 3590, our directors have instructed me to submit this letter which we hope will be made part of the record.

This association supports S. 3590 wholeheartedly.

We believe the proposed changes made in the cotton section of the Agricultural Act of 1965 as contained in the cotton section of S. 3590 are desirable and acceptable to us.

The cotton farmers of Arizona now endorse the provisions of the Agricultural Act of 1965 and are very much in favor of an extension of that Act. A four year extension, as provided in S. 3590, will be quite satisfactory to us.

Should a situation develop where major amendments to the Agricultural Act of 1965, or to S. 3590, are being considered, we would wish to offer some amendments of our own, or reserve judgment on the proposed legislation until we could study such proposed amendments but at this time we believe S. 3590 as written fairly represents the wishes of our Arizona cotton people.

We think you, as chairman of the Committee on Agriculture, deserve the thanks of all of us for your fine leadership in developing S. 3590 and putting it forward at this time for consideration by the Senate.

Very truly yours,

E. S. MCSWEENEY,

Executive Vice President, Arizona Cotton Growers Association.

KANSAS CITY, MO., June 19, 1968.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture, U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: This letter on behalf of the National Egg Council is with regard to S. 3590 and, particularly, Title IX—Marketing Orders.

Please enter into the record of the hearings, which get underway June 24, the opposition of our organization to marketing orders in the egg industry. We will not have a witness present to testify.

Our position is based on results of a nation-wide survey of commercial egg producers in February by our organization.

The Agricultural Census for 1964 shows 1.2 million farms with poultry flocks containing birds four months old or older. Around 95% of these flocks had fewer than 400 birds each.

The National Egg Council is a not-for-profit trade association organized in 1958 and whose membership is made up entirely of persons or firms engaged in the production and marketing of table eggs.

Each producer joining the National Egg Council reports on our membership application form the number of layers in his flock. Our membership currently stands at 1,512 members with a total of nearly 58 million layers. The Statistical Reporting Service of the United States Department of Agriculture reported, in

its May report, that there were 314 million layers in farm flocks on May 1, 1968. Thus, our membership accounts for slightly more than 18% of the total.

Individual members may have as few as 1,000 birds or as many as one million birds under their control. The average is over 38,000.

The issue of marketing orders has been before the egg industry almost annually since 1959. The industry is becoming somewhat familiar with what enabling legislation is and what marketing orders purport to do.

The membership of the National Egg Council has shown itself to be most responsive in regard to surveys we conduct among them on issues of economic import.

In February, when much of the current legislation on marketings was being developed in the House and in the Senate, we sent a survey form to all members of the National Egg Council and to all other egg producers on our mailing list, for a total mailing of 7,039. We estimate that these 7,000 producers account for two-thirds of all the eggs produced in this country.

We enclosed a survey form and an outline of the legislation, pretty much as it now exists. The survey form and the accompanying description of the legislation are attached. Exhibit I constitutes the mailing to members and Exhibit II is the mailing to non-members.

Over 61% of the National Egg Council members and 19% of the non-members responded. We had a pretty good idea of the attitude of the NEC members, but had no previous measure of the non-member attitude. The only information we had on the non-members was that they were egg producers and the number of layers on their farms.

Combined returns from members and non-members alike showed 1,533 opposed to the legislation and 339 in favor.

This survey form went to producers in 47 states. We consider it to be a reliable measure of industry sentiment.

The final tabulation showed 84% of the NEC members responding to be opposed and 16% in favor.

The figures for non-members showed 77% opposed and 23% in favor.

A previous membership survey last November showed 75% opposed and 25% in favor. We had no description of any specific legislation and merely asked whether they favored controls.

All of us in the egg production business today—large or small—know that we have had over-production. These cycles are not new. Our present period of economic strain is perhaps one of the most severe we have ever had. Most certainly it is one of the longest.

Those who have large flocks have no alternative. They can't just sit out a low price period. If they are to keep their customers, they must continue to produce. When bulk of the eggs were produced by the small family farm flock, adjustments occurred quickly. Now they are drawn out.

Another factor contributing to the dilemma was the highly favorable income per bird throughout 1966. Most producers operate on the cash basis and it became unbearable to think of turning all that money over to the tax collector as 1966 came to a close. Many expanded. Next, word got around outside the industry among those who had idle funds to invest and they got into the egg business.

The result has been too many eggs.

Everyone, or his creditor, has stuck it out.

Many depended on outside financing from feed interests or Production Credit Associations. Many such contracts terminate with the marketing of the old hens at the end of their normal laying cycles.

A period of adjustment would have occurred at the end of the laying cycle under ordinary circumstances.

However, many larger producers have found themselves over-extended and unable to pay off old indebtedness and, by the same token, unable to replace the worn-out hens. They have managed to stave off the day of financial reckoning by recycling layers.

Evidently, the industry began practicing, on a large scale, "force-molting" or recycling last fall. Hens are put through feeding maneuvers which cause them to molt and cease egg production. This lasts about two months. Then the birds are brought back into production. The producer gets large and extra large eggs from the recycled hens, although the volume may taper off.

So many have indulged in this practice that, despite the fact that the number of laying-type chicks hatched by commercial hatcheries in the 12-month period ending April 30, 1968, fell 91 million birds below that of the same period ending

April 30, 1967, and 37 million below that of the same period ending April 30, 1966, we still have virtually the same number of layers on farms as a year ago!

It is conceivable that this "force-molt" tactic will change the entire economic cycle of the egg industry. I doubt that any marketing order administrative committee could have forecast this turn of events a year ago.

We do not deny that the egg industry is in financial trouble.

It is apparent, from the results of our survey, that people who account for the bulk of the eggs produced in the United States do not look upon enabling legislation which would legalize marketing orders as the way out.

An effective marketing order would require licensing producers, hatcherymen, egg dealers, egg processors—every single segment of the industry. Ultimately, every phase of production and marketing would have to be covered.

It would become necessary to establish quotas for producers and perhaps for hatcherymen and egg dealers. The records of all would, of necessity, be subject to periodic inspection.

Marketing orders generally require diversionary efforts. All evidence in every commodity shows, we believe, that such diversionary stocks continue as a weight on the market unless disposed of permanently, such as being shipped abroad or dumped in the ocean.

Last November, our members voted 2-to-1 against a check-off for advertising. It is proposed in the industry that such marketing orders contain a mandatory check-off for industry-sponsored promotion and advertising. There are many of us who don't believe it wise to tax ourselves for such expenditures. We don't believe we'd get any more for our eggs. We also believe such activity on our part would touch off similar "tax" moves on other farm commodities.

Eggs are one of the few commodities which economists describe as having an inelastic demand. Within narrow ranges, price fluctuations up or down do not cause much change in people's egg-eating habits. That's one reason some believe eggs would be so amenable to supply control. Only minor adjustments in supply would be necessary to affect price changes of consequence. Further, it is difficult, if not impossible, to measure the value of such promotion and equally difficult to end the tax.

There is nothing in the record, at the moment, to show that a national administrative committee would possess the knowledge to regulate supply within such a narrow range. If we can cite an example outside the egg industry, we note that in 1934, one year after the enactment of the Agricultural Adjustment Act of 1933, the farm parity rates stood at 75% of parity. Three and one-half decades and countless farm programs later, the parity ratio, in 1967, averaged 74% of parity, and farm bins this spring held a record supply of wheat. These programs were to preserve the family farm, but we have half the number of farms of 1934.

This is not to cast reflections on the ability of administrators; rather, it is to highlight the immensity of the task. One small error by the committee can magnify itself into frightening size when spread over the entire industry.

There is good reason to believe that one of the motivating factors today for marketing orders and quotas in the poultry industry is that such quotas would be incorporated into capital net worth.

A casual estimate is that a quota for 500,000 birds would be the equivalent of a \$2,000,000 increase in the capital assets of the owner of such a quota. Thus, a quota would, in a sense, reward beyond all reason the very operations which have contributed so heavily toward the financial agony of family units.

The question is asked whether, notwithstanding all these perplexities of administration, producers shouldn't have the right to vote on enabling legislation. It's a little like trying to oppose motherhood, the Bible, or the U.S. flag to take a stand against such a proposition.

We favor the democratic procedures. The hearing on S. 3590 itself is a part of such a procedure. We trust that every *interested* representative group which has the desire to present its views *will be heard* by this committee on the issue at hand. But, would a referendum allow similar treatment?

We think not.

Presumably, some producers will vote. Other *interested* parties will not. This includes some producers exempted because of size, or a returning veteran of the Vietnam war who may wish someday to become a poultryman, or my children, or yours. Others deeply involved in the success of the poultry industry will not vote. The customer won't be allowed to vote. A person might be allowed to vote in a later referendum, only by purchasing the quota of another producer.

It is quite obvious that many really small producers who keep just a few hundred birds won't have the voting franchise in a marketing order referendum, and can never get it except by purchasing the capitalized quota of someone who does.

Thus, a majority of the *producers* won't even be franchised to vote. Yet, a majority of the franchised voters who vote will decide the issue.

It seems logical to assume that an administrative committee will be populated only by those who favor marketing orders and, thus, the entire poultry industry would fall under its permanent domination.

We don't like our present economic situation, but we think it may be better to lose money now and then, than to lose freedom for all time.

Sincerely,

DON M. TURNBULL,
Assistant Secretary, National Egg Council.

STATEMENT OF I. W. BEAN, CHAIRMAN, NATIONAL SOYBEAN PROCESSORS
ASSOCIATION

The National Soybean Processors Association represents the soybean processing industry. In the current marketing year, we expect to process 570 million bushels, primarily for edible oil and protein meal for feeding livestock and poultry—in every state and all over the world. The NSPA is composed of processing plants which account for over 95 percent of the soybeans processed in the United States. In the current marketing year, the U.S. soybean processors will be a market for about \$1.5 billion worth of soybeans.

We wish to assure this committee that this association supports the view that farmers should share fully in the prosperity they are helping to create, recognizes that food and agricultural policies affect the entire economy of the nation, and must be determined in the best total national interest. Sound agricultural policy must give full consideration not only to the role of the producer, but also of the grain elevator, other marketing facilities, the processor, the exporter, and right down to the ultimate consumer. This is the basic justification for a national investment in agricultural programs.

We must give greater attention to the inter-relationship of agricultural policy to other national economic policies and our foreign policy, rather than looking at farm policy as something apart. This includes a basic view of the equity of fair reward for agriculture.

In pursuit of this effort, we have worked with soybean producers, exporters and importers, and the USDA in market development, improved grade standards, orderly marketing, technical research and many other fields. In addition, NSPA is extending substantial financial support to much-needed soybean agronomic research.

The results of these realistic joint efforts are such that the soybean has been called the miracle crop of the twentieth century. It grew from an exotic obscure crop in the 1930's to its current status of the number two source of cash receipts from sales of crops. In 1967, about 13 cents of each dollar received by U.S. farmers from sales of crops came from soybeans. Just after World War II, soybean producers received only 4 cents of each such dollar. We are here referring to a crop with a cash register value of over \$2.5 billion. The economic impact of this industry now reverberates throughout the world.

The growth of this industry has been due in large measure to the atmosphere of freedom in which it was nurtured. Let us examine some significant facts regarding this crop:

- (1) The producers have rejected the concept of acreage controls;
- (2) There was legislative authority for a marketing order for soybeans prior to 1961. This was never used. It was eliminated from the Agricultural Marketing Agreement Act of 1937, as amended, by producer request. There has been no request for reinstatement.
- (3) This atmosphere of economic freedom has enabled the United States to move from a pre-World War II net importer of fats and oils to the world's greatest exporter of oilseeds and products. We broke the Chinese soybean monopoly. Soybeans and soybean meal and soybean oil exports are returning almost one billion dollars of hard currency annually.

The major markets of the world have recognized that the importation of this great crop has great value to them, and have either zero or minimal tariff or other

obstructions to imports of soybeans. The EEC in the Kennedy Round increased import duties on soybean oil and since has been almost continuously considering proposals which would jeopardize the duty-free binding of U.S. soybean meal.

(4) The efficiency of our livestock and poultry feeding operations has been immeasurably enhanced by the availability of soybean meal. This is now being utilized domestically at about an 11-million-ton rate annually. Consumption of soybean meal both domestic and foreign would undoubtedly be at much higher levels were it available at reasonable price levels. The American quality and standard of living are greatly improved by the mixed feed industry, which rests on a soybean meal base.

(5) The soybean processing industry has steadily increased its plant capacity from 320 million bushels in 1953 to well over 700 million in 1968. Processing capacity has exceeded actual crushings by about 20 percent despite the sharp uptrend in soybean production. The result has been a sharp contraction in processing margins to levels sharply below two decades ago, despite rising costs.

The USDA is aware of this fact. In a report in the August 1966 issue of the Journal of Farm Economics, Dr. Allen B. Paul of the USDA Economic Research Service said:

"In brief one can observe that crushing margins have not moved in sympathy with soybean prices . . . *price competition among processors is severe. The average crushing margin, over a decade, was well below the long run cost.*

"Price competition in soybean processing has been quite effective. Price turns out to be an unbelievably complex instrument for allocating resources and returns. *Major distortions in the market were due to price supports, but these occurred sporadically.* For this reason, the soybean industry provides a good laboratory to obtain certain insights.

"Programs that are designed to stabilize farm prices often are not neutral in their effects on marketing firms. This cannot tell us whether such programs are good or bad. But it can tell us that programs have important consequences that we should be aware of. The principle is general and applies to other programs."

(6) The growth of the U.S. soybean acreage has been uneven by areas—over time—a free response to economic forces. The most recent increases have been in the Delta and Southeastern states, resulting largely from land clearing and drainage. Also, soybeans provided a better alternative crop than other use of the land. *Any average used for allotment determination would result in the most severe cuts in the new areas.*

(7) Protein deficiency is a critical aspect of the world food problem. Since it is out of the question to provide enough protein from animal sources to meet the increasing requirements of an expanding world population, considerable attention is being given to the development of protein foods from vegetable oil seeds.

Soybeans have been an important source of protein for human consumption for centuries in the Far East. In recent years, we have made great progress in the development of high-protein foods from soybeans that appear to be acceptable to consumers.

A high-protein concentrate (approximately 20 percent protein) of corn meal, soy flour, and various supplements and additives (CSM) was developed for large-scale programming to meet emergency food situations in South Vietnam and other parts of Asia, South America, and Africa.

By and large, the product has been well received. Since the introduction of CSM, over 500 million pounds have been shipped to needy countries. More recently, additional food mixtures involving wheat and soybean products have been shipped.

The quantity of soybeans actually involved in the CSM product over the past year and a half is still small. But the important thing is that the new food mixture has been readily accepted where the need is urgent for food and especially for protein. As the pressure of world population versus food supply builds up and as nutrition is given greater attention, there is a great potential for soy and other oilseed proteins for human consumption. The research and marketing for this is best fostered in an atmosphere of competitive freedom.

(8) It is with the same atmosphere of freedom of production and access to foreign markets that the soybean producers and processors have applauded the position taken by the United States that it could not adhere to any agreement designed to limit exports of edible oils, oilseeds or protein meals.

It may be of interest to discuss some of the issues involved in the recent proposals for an International Fats and Oils Agreement. They deal with the possibility of setting an import price range for vegetable oils, the question of market sharing among exporting countries, and the compensation to the less-developed countries for the low prices for vegetable oils. It is recognized that the tropical oil producers have a serious problem as prices have declined to the level of world prices which is below the levels resulting from colonial preferences. Also, there is greatly increased competition from Communist sunflower oil.

Not only is there a wide range in competition and sources of supply, but most of the major oils are byproducts. As a result, the technical complexity in the market for oils and fats is so great that the fixing of market prices, quotas, or market shares appears unworkable.

In fact, it appears economically undesirable to attempt to set a price range and try to adjust to changes in demand for oils. It would discourage consumption, encourage the uneconomic use of resources, and discourage substitution of one oil for another. And the fact that the market demand for protein supplements is so strong in relation to oil further complicates the situation. From an economic standpoint, it appears that the solution to the world surplus and resulting low prices for vegetable oils must be sought in other directions such as the development of new uses, increased production efficiency, expansion of world trade, and increased consumption.

MARKETING ORDERS FOR SOYBEANS

In reading the hearing record on S. 2973, introduced by Senator Mondale, we had the distinct impression from the committee discussion that nationally produced crops, such as soybeans would continue to be exempt from the marketing order legislation. There seemed to be general committee agreement that the provisions should be applicable only to crops grown within a relatively small geographic area. However, while the intent may have been otherwise, as we read S. 3590, soybeans would be exempt only from the collective bargaining provisions of Title IX.

Also, in Secretary Freeman's recent discussions of greater bargaining power for farmers, including testimony on S. 2973, he has indicated that he was referring to that 60 percent of the farm production for which there was no price support and other program protection. The American soybean producer already has the following programs which enhance farmers' bargaining power:

1. A \$2.50 per bushel loan;
2. Resale program, both farm and nonfarm;
3. An announced schedule of CCC resale prices substantially above current and prospective markets;
4. Food for Freedom sales and donation of oil;
5. Domestic donation of fats and oils to needy;
6. Soybean Council assistance in market development;
7. USDA efforts to expand markets through GATT and other negotiations.

The language of Section 901 of S. 3590 makes it clear that except for collective bargaining on minimum prices and other minimum terms and conditions, *soybeans* would be subject to marketing order authority. All that would be required would be a determination by the Secretary that a majority of the affected producers approved such extension in a referendum.

According to Undersecretary Schnittker: "It is a form of limited horizontal integration among producers and sometimes handlers. It provides authority to undertake specified types of activity to *manipulate* market supply or demand, or both."

It should be noted that the extent of *manipulation* is unlimited in view of the following language of the proposed Section 906 of the S. 3590.

Examine the following:

"Allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods.

"Allotments hereunder may be in terms of quantities or production from given acres or other production units.

"When allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer,

and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a(5) of this title."

Let us examine what a favorable vote in a marketing order referendum could do to every segment of the soybean industry.

(a) To the producer, it could mean restricted acreage with the limitation based on his area's historical acreage. Since the regulations could be written in such a manner as to prevent a noncomplier from actually marketing his crop, failure to comply with all the regulations could result in an injunction or a heavy financial penalty.

(b) To the grower, with only one or two years of history, it could mean a sharp acreage cut. Those who are currently clearing (or recently cleared) land to plant to soybeans, would not be able to do so.

(c) To the grower, it could mean a limitation on marketings at the rate of a fixed percentage per month, whether or not he had the storage facilities to handle the crop.

(d) To the grower, it could mean marketing only a certain grade or grades, with no provision for utilization of other qualities.

(e) To the grower, it could mean being told when and where to deliver his crop in order that the required records could be kept.

(f) To the first handler (elevator or processor), it could mean handling only a limited bureaucratically determined quantity—by month or for the season. It would also mean keeping exhaustive records for each producer.

(g) To the processor, it could mean competing for a limited quantity, or even being told how many bushels he could crush.

(h) To the exporter, it could mean being told how many bushels could be exported.

(i) To all groups, it would mean a continuing examination of the Federal Register for regulations and amendments to amendments.

(j) To all groups, it would mean subsidizing synthetic feeds, such as urea or other products of the laboratory. It is estimated that urea feeding in the U.S. has now reached an annual level equivalent to the meal from 100 million bushels of soybeans. This also affects the cotton farmers market for cottonseed which is generally regarded as the tenants' crop. Protein from petroleum is also an established fact.

Obviously, such a multiplicity of regulations from the producer to the processor or exporter would assume a degree of knowledge of supply and demand of such accuracy as to defy description. The marketing season for soybeans starts in September. At that time the size of the current crop and the carryover from the preceding crop are not known. There are revisions in the current crop in October, November and December, with a revision of the previous year crop in December.

There is a consensus among agricultural economists that producer gains, if any, from such an exercise will be obtained at the expense of the consumer, and only in the short run. *It should be noted here that the farmer is the major consumer of the soybean meal, and would face higher costs.* Since no provision is made for controlling the acreage diverted, producers of other crops would suffer from increased competition. The already small processor margin would prevent any absorbing of higher prices. Producers might turn to sunflower seed which produces a much higher percentage of competitive oil and a protein meal. Sunflower production is under way in the Northwest and across the South.

From an international standpoint, reduced acreage and higher priced soybeans will provide a subsidy to the oil and oilseed producers in the rest of the world. It would give these foreign producers the benefits of an international agreement without any contribution.

If there is a two price system, with a lower price for export soybeans, then we will be losing a substantial part of our soybean meal market to foreign crushers. This will reduce our labor requirements here, and transfer them abroad.

The producers of this miracle crop have been able to grow and prosper in an atmosphere of freedom. This proposal would choke these forces.

The tremendous achievements of the some 600,000 soybean producers, the marketers, the processors and the USDA have occurred in a free economic setting.

In 1966, President Johnson said:

"Yet, all of this can be—and should be—only a beginning. In a time of technological revolution and rapid change, which is occurring on our farms no less than in our factories and laboratories, we must constantly look to the future.

Now ways must be explored to keep agriculture and agricultural policy up to date, to get the full benefit of new findings and of new technology, to make sure that our bountiful land is used to the best of our ability to promote the welfare of consumers, farmers, and the entire economy."

We earnestly believe that this proposal to authorize a marketing order for soybeans would be counterproductive, and not fit for the last third of the twentieth century.

We recommend that this committee continue the current exemption of soybeans from marketing orders, and further that government controls and restrictions of any and all kinds not apply to soybeans and soybean products.

STATEMENT OF HAROLD M. WILLIAMS, PRESIDENT, INSTITUTE OF AMERICAN POULTRY INDUSTRIES

The Institute of American Poultry Industries is a non-profit association established in 1926. Its membership consists of persons and organizations, including cooperatives, engaged in breeding, hatching, production, processing and distribution of eggs and egg products, chickens, turkeys and ducks.

Thirty-nine industry leaders are elected to form the board of directors of the Institute. They represent all egg and poultry commodities and all major producing areas.

We appreciate the opportunity to present to this distinguished committee our views relative to S. 3590 with particular reference to Title IX—Marketing Orders, collective bargaining and producer allotments.

The Institute's policy regarding this type of legislation is expressed in this resolution which was passed by the board of directors and reaffirmed by the membership at its annual meeting:

"Resolved, That the Institute of American Poultry Industries is opposed to the principle of centralized and direct controls of production, distribution or pricing affecting poultry or eggs and their products in the belief that such a position is in the best interests of the future welfare of all segments of the industry from the producer to and including the consumer."

This position was reaffirmed this year by both our board of directors and executive committee.

The record is quite clear! Over the years the poultry and egg industry has firmly indicated its desire to be free of government controls and price supports. Substantial testimony from recognized industry organizations exists in hearing records. And in 1962, one segment of the industry, the turkey producers, strongly confirmed that position when a proposed turkey marketing order was soundly defeated in a referendum conducted by the Secretary of Agriculture.

Not only does this bill authorize allotments and quotas and regulate what may be sold by producers and handlers, but it injects a new concept of price making which could completely disrupt and destroy the present competitive marketing system. No one can really measure the consequences of such legislation. It is too far-reaching, we believe, for Congress to consider this late in the session without far more study and extensive hearings.

The legislation being considered does exempt commodities which in some manner receive government price supports. If this type of legislation appears to be desirable, it seems to us that it should be first applied to those commodities which have necessitated government price support action.

As indicated earlier, by and large the poultry and egg industry has stood firmly on its own feet. It has made outstanding advances operating on the basis of supply and demand. There have been benefits for both the producer and consumer. Our industry is supplying consumers with the greatest food buy today.

We have not asked for price support programs nor do we now seek what this legislation proposes. We urge that, if the Committee decides to report S. 3590, the Committee should in any event exclude poultry and eggs from the provisions of the bill.

We appreciate the opportunity to present our views.

STATEMENT OF ROGER L. CONNOR, EXECUTIVE SECRETARY, INDEPENDENT LIVESTOCK MARKETING ASSOCIATION, COLUMBUS, OHIO

No other subject has stirred more controversy in livestock marketing circles in recent years than the matter of "bargaining". To have a better understanding of how this interest came about, let's start with the *changes* marketing has gone through to reflect the *needs* and *desires* of sellers and buyers.

MARKETING HISTORY

1. Marketing began with trade and bartering.
2. 1830's animals were trailed over the Alleghany Mountains to Baltimore.
3. 1840's hogs were slaughtered, pickled and shipped down the rivers to New Orleans.
4. 1850's saw the first Terminal Market established by a railroad company at Chicago.
5. Latter 1800's, Dealers roamed country to buy and ship livestock to Terminals.
6. In 1900's, establish county shipping Assns. to send livestock via railroad to Terminals.
7. 1920's Auction Markets started for slaughter livestock—better roads, trucks, radio.
8. In the 1930's, Daily Markets took over old Shipping Association pens.
9. After World War Two, Packers' costs increased (labor, materials, taxes, etc.): (a) more direct buying and establishment of buying stations to avoid immediate buying competition, and fill specific orders brought on by supermarket merchandising programs.
10. In the middle 1950's, "collective bargaining" approach started in mid-corn-belt.
11. In mid 1960's, Futures Market on live cattle and hogs established.

The main question that is being asked today in "Can bargaining work for livestock?" Overly simplified, the answer is *YES!*

If "bargaining" can work for livestock, just what must be done to make it work?

To get that answer, let's compare agriculture with "big business". You have heard numerous times that agriculture is the nation's *largest business*. This statement is true when agriculture is taken as a whole. But in reality, individual farms are more comparable to independent small manufacturers of raw materials, since a total of approximately three million farmers and ranchers in this country are turning out mostly raw products, in competition with one another, which must be bought and processed for consumption.

It must also be noted that agriculture is often compared with "labor". But there is a basic difference between the two: *labor sells services; agriculture sells products*. Services are not perishable and cannot be stored up to cause surpluses. If a factory worker strikes today, he doesn't have to "work off" a day's labor when he returns to work the next day. Much like time, labor once lost can never be used again . . . and more important in this context, *nor does it have to be*.

Those who constantly talk of "bargaining" for livestock, refer to the manufacturer's of automobiles as an example of a business that is "able to price its product to the consumer". The question naturally follows, "If they can do it, why can't we?"

I believe we should pursue this reasoning further, because it gets to the heart of the problem! "Why haven't farmers been able to set a price for their livestock?"

(1) There are thousands of decision makers in farming. Ohio alone has 114,000 farms. Most raise livestock. This means thousands of people deciding on their own how much, what kind, what quality, what weight of livestock to raise and when, where, how and to whom to sell it. How many "decision makers" are there at General Motors?

(2) There is a relative ease of economic entrance into farming. You can be as big, or as small as you want, and get into farming . . . only capital and your desire to farm limit what kind of livestock and how much you raise. How many people manufacture automobiles for a living? How many on a part-time basis to supplement their income?

(3) Everybody has the right to farm; there are no restrictions on who can and who can't farm. Farmers can't be doctors, lawyers, pharmacists, engineers, etc., without taking a prescribed course and passing a state exam, but each of

these can be a farmer merely by purchasing a piece of land. Although there is no law that prevents the farmer, or anyone else for that matter, from manufacturing automobiles, the sheer economics of the situation quickly dictates who is going to make automobiles.

(4) Unlike some farm crops, as oranges, dates and nuts, livestock can be raised, or potentially raised (if the price is right), in all 48 continental States. Automobiles, on the other hand, are manufactured only where it is economically feasible and potentially profitable, and by a restricted number of people.

Yes, farmers can "set a price", or even "bargain for a price" on their livestock, *BUT*, it's going to take *CONTROLS!!!* What kind of controls?

(a) The power and individual right to make personal decisions regarding how much, what kind, what quality of livestock, and when and where the livestock will be sold, will be taken away. This means the individual farmer, and farmers as a group, must give their decision making rights to someone, for example, a **committee, who will tell them what to raise, how many head, what quality, when to have them ready for market, where to sell them, etc.**

(b) It means restricting who can farm, and how many people can farm, by virtually franchising every farm with set amounts of production quotas. Undoubtedly, if such quotas are not used, or leased out to someone who does use them, the farm would lose its quota.

(c) It is very important farmers keep in mind that the closer they come to realizing "a fair price" for their products through compulsory bargaining and controls, the more dominant role the government will play "to protect" the interests of consumers. It is logical to assume that 5% or less of the population who will be raising the food of this nation, are not going to be given a "green light" to price their products to the remaining 95% at a price they (the farmers) think is fair. In other words, 5% or less of the voters are not going to tell 95% or more of the voters what they are going to pay for food. Under a compulsory bargaining arrangement, *government will eventually control agriculture from farm to super-market*, to "protect" the rights of those involved, and the rights of *all citizens*.

Of course, we are talking here about the extreme in bargaining. There are those who propose that farmers be encouraged to ban together through organizations, and be given the right to work out their own problems through joint action. This approach sounds very appealing because it is basically democratic, and will require a lesser amount of government intervention. But, when one truly examines this approach in the light of livestock production and marketing, which is widespread in this country, one must assume that nothing short of eventual controls will have a material and long lasting effect on price. If farmer organizations can not materially change the price structure in competition with independent businesses today, there is no reason to believe they could raise prices by *merely* having all the livestock go through farmer controlled groups. In fact, one could just as logically argue that the centralization of livestock through limited groups would create widespread inefficiencies in the marketing process because of the lack of competition. It must be remembered, businesses become efficient *mostly* because *competition forces* them to become efficient, and because of their desire for more profits. *Without competition*, the need for efficiency would be lessened materially, and the resulting marketing system would eventually prove effective and chaotic.

The farmer, then, has two main alternatives :

(1) Accept the rigidity of controls brought on by compulsory bargaining and government domination or,

(2) Strengthen and improve the competitive marketing system, which provides the opportunity for profits or losses through one's personal decisions.

Let us assume farmers, and the industry, chose freedom. Let us assume they chose to make their own decisions, and strive to strengthen the competitive marketing system. What must be done?

(1) Carry out a systematic industry-supported program of promotion and advertising of red meats, and continue our progress in research. Farmers, markets and some packers can no longer afford to let other packers and supermarkets carry the full burden of promoting and advertising meats. Supermarkets advertise meats *mainly* from a *price discount* standpoint; packers advertise their brand names from a quality standpoint; farmers and markets must team together with packers and supermarkets to *promote a desire* on the part of the consumer to want more meat at an increased price level.

(2) Farmers, markets, packers and retailers must work together on improved marketing mechanics and techniques. Systems should be explored to relate actual market value of an animal to the price the farmer gets for that animal in the marketplace. *Remember*, marketing has already gone through numerous changes to meet the *needs* and *desires* of buyers and sellers. We must be progressive enough to think up and adopt other changes which will strengthen and improve the competitive marketing system.

(3) Constantly review all factors which influence the competitive production and marketing system, and strive for and support regulations or legislation that are needed to keep the system competitive. In other words, it is basically unfair to ask and expect farmers, markets, packers and retailers to operate in a competitive marketing system where *supply* and *demand* dictate the price, unless that system is *truly* competitive.

It should also be mentioned that a so-called "off-shoot" of the competitive marketing structure might be complete integration of agriculture by large companies, competing with one another in production and marketing, all the way from the farm level, up through and including the offering of the finished food product for sale to the consumer. I am not speaking of so-called "contract farming". I am referring to actual ownership of the land, processing and retailing establishments by large corporations. In other words, the farmer would work on salary for the parent company as does its labor force in the factory. Of course, in such a system there would be little need for livestock markets or independent packers because there would be no need for determining the price of livestock through competition. The competitive price, in this case, would apply to the price of the finished meat product.

I have not even begun to cover the various possibilities that may and could arise in the future to change the livestock marketing picture. Such ideas as the government setting a basic price for certain grades and quality of market animals is just one way planners are now talking as possible. What I have really attempted to do here is show you that the competitive marketing system offers as great a potential for profits as does the compulsory bargaining system, plus the one great advantage of maintaining individual freedoms. However, the eventual effectiveness and rewards of this system depend heavily on *all segments* sincerely working together to strengthen and improve it. Each one of us has a part in that effort. In fact, without our individual efforts, the competitive system will falter and fail. Suffice to say, all of us have an important job to do.



(2) Factors such as quality, service and delivery must be taken into account in the marketing program and policies should be designed to reflect these factors. It is of no avail to the sales force if the product is not what the customer wants. Marketing research has already shown through numerous studies that the needs and desires of buyers and sellers must be recognized and met. It is not enough to have other changes which will increase and improve the competitive marketing system.

(3) Possibly very a few factors which influence the competitive marketing system and which are not taken into account or are not fully considered in the competitive marketing system. In other words it is desirable that the marketing manager should be aware of the various factors which influence the competitive marketing system and should take them into account in the marketing program.

It should also be mentioned that a general objective of the competitive marketing system might be to provide information of the various factors which influence the competitive marketing system. In marketing and marketing of the business, the main level of thought and including the marketing of the business. Last part of the competitive marketing system is the competitive marketing system. The marketing manager should be aware of the various factors which influence the competitive marketing system and should take them into account in the marketing program. In other words, the marketing manager should be aware of the various factors which influence the competitive marketing system and should take them into account in the marketing program. In other words, the marketing manager should be aware of the various factors which influence the competitive marketing system and should take them into account in the marketing program.

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