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EXEMPT POTATOES FOR "OTHER PROCESSING"
FROM MARKETING ORDERS

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HEARING
BEFORE THE
SUBCOMMITTEE ON DOMESTIC MARKETING
AND CONSUMER RELATIONS
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
NINETY-FIRST CONGRESS
FIRST SESSION

ON

H.R. 11243

JUNE 9, 1969

Serial J

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EXEMPT POTATOES FOR "OTHER PROCESSING" FROM MARKETING ORDERS

MONDAY, JUNE 9, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING AND CONSUMER
RELATIONS OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Hon. Thomas S. Foley (chairman of the subcommittee), presiding.

Present: Representatives Foley, Poage, Sisk, Jones of Tennessee, May, Goodling, and Myers.

Also present: William C. Black, general counsel; Hyde H. Murray, assistant counsel; John A. Knebel, assistant counsel; and Martha S. Hannah, subcommittee clerk.

Mr. FOLEY. The Subcommittee on Domestic Marketing and Consumer Relations will come to order.

The subcommittee meets this morning for consideration of H.R. 11243 by Mr. Don Edwards of California and Mr. Gubser and Mr. McCloskey of California, excluding from marketing orders potatoes for canning, freezing, or other processing.

At this point we will insert the bill and the departmental report in the record.

(H.R. 11243 and the departmental report follows:)

[H.R. 11243, 91st Cong., first sess.]

A BILL To amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended, is amended as follows:

(1) In subparagraph (A) after the words "vegetables (not including vegetables, other than asparagus, for canning or freezing)" insert the words "and not including potatoes for canning, freezing, or other processing"; and

(2) In subparagraph (B) after the words "fruits and vegetables for canning or freezing," insert the words "including potatoes for canning, freezing, or other processing."

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, June 9, 1969.

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

DEAR MR. CHAIRMAN: This is in reply to your letter of May 16, 1969, requesting a legislative report by the Department on H.R. 11243, a bill to amend Section 608 (c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended. This bill would exempt potatoes for "other processing" from marketing orders.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this Act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the Act.

The use of potatoes for food processing has increased sharply during the past decade. Only 14 percent of 1956-crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume, but large quantities were used for canning, potato chips and shoestrings, and dehydration. Dehydrated potato processing increased six-fold during the 1956 to 1967 period, while the use of potatoes for chipping and shoestring potatoes more than doubled. Continued expansion of sales to all food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. In 1967, these areas produced about 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. Departmental data show that "other processing" in 1967 which the bill would exempt from coverage under the Act totaled about 64 million hundredweight of potatoes used for dehydration, chips, shoestrings, starch, and flour. It is estimated that about one-half of this quantity is processed in areas operating under marketing orders.

The enactment of this bill would not result in added costs to the Department. In view of the time situation, we have not obtained from the Bureau of Budget advice regarding the relationship of this proposed legislation to the President's program.

Sincerely,

RICHARD LYNG,
Acting Secretary.

Mr. FOLEY. The first witness this morning will be the principal sponsor of the legislation, Hon. Don Edwards of California. Mr. Edwards, it's always a pleasure to see you.

STATEMENT OF HON. DON EDWARDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. EDWARDS. Thank you, Mr. Chairman.

I appreciate being allowed to testify today.

I am respectfully urging enactment of this legislation because I believe that a grave injustice is being done to a local business concern in San Jose, Calif., with 30 employees. Pik-Nik was founded in San Jose 30 years ago and it has been manufacturing a snack food product from potatoes—potatoes which farmers otherwise could not market because of their small size. Pik-Nik purchases have, therefore, been of great advantage to the farmers. For the past 30 years Pik-Nik has been buying its size B potatoes from the Klamath Basin which has since 1948, I believe, been subject to a potato marketing agreement order which empowers the Agriculture Department to regulate or prohibit potato shipment from the Klamath Basin to other areas. This authority, however, does not apply to shipment of potatoes to receivers engaged in the canning or freezing of potatoes, and for the past 20 years, Mr. Chairman, the Oregon-California Potato Committee as an adjunct of the U.S. Department of Agricul-

ture has recognized Pik-Nik as engaged in canning and we can furnish official Agriculture Department documents describing the Pik-Nik process as canning.

In October 1968 the Agriculture Department was requested by the Oregon-California Potato Committee to implement their order No. 947 by prohibiting the shipment of these sized B small potatoes. This the Department did and at the same time declared that the Pik-Nik process was not canning within the Agriculture Department's recognition, and, therefore, was not exempt from the order.

This is a reversal of the Agriculture Department's position maintained for 30 years and I think it even might be said, Mr. Chairman, that it constitutes a new definition of the word canning.

Pik-Nik is the only canner of shoe string potatoes in the United States that is being forced to operate under a regulation such as marketing order No. 947. Its competitors in the eastern part of the United States are free to purchase and to manufacture and to sell any grade potatoes. And this legislation would remedy this serious situation. I think, Mr. Chairman, it would be equitable.

I thank you for your courtesy in allowing me to testify today and I respectfully urge favorable consideration of this bill.

Mr. FOLEY. Thank you very much, Mr. Edwards.

Mr. Sisk?

Mr. SISK. No questions, Mr. Chairman.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. No questions.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Thank you very much.

Mr. EDWARDS. Thank you.

Mr. FOLEY. The next witness will be the Honorable Charles Gubser, the cosponsor of the legislation. Mr. Gubser.

STATEMENT OF HON. CHARLES S. GUBSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. GUBSER. Thank you very much, Mr. Chairman. With your permission I merely would like to make a few informal remarks and ask for the privilege of revising and extending and submitting a formal statement for the record.

Mr. FOLEY. Without objection, so ordered.

Mr. GUBSER. As you know, I am one of the cosponsors of this bill along with Congressman Edwards, who has just testified. I was not here early enough to hear all of Congressman Edwards' testimony, so I am sure that he has already informed you of the facts which led to this situation and the introduction of this bill.

For a quick summary, it has been the practice over a number of years of the Pik-Nik Co., situated in San Jose, Calif., to process their product from what is known as "B" size potatoes. They have been able to do so operating under a certificate of privilege which was dated September 15, 1959. I call attention to one particular phrase in that certificate of privilege, No. 5, which says that the specified purpose for which these potatoes will be used is canning. And as you know, items used for canning are exempt under the terms of the Agricultural

Marketing Agreement Act of 1937. Of course, the Department of Agriculture states that this certificate of privilege was not granted on the basis that it came under the canning exemption but was merely intended to show that the product would not find its way into the fresh market. It strikes me that that rebuttal by the Department is a little bit redundant because the fact still remains that the original intent of Congress, I believe, in passing the Agricultural Marketing Agreement Act of 1937 was to keep these undersized potatoes from finding their way into the fresh market. And I think it is wrong for the Department today, after it had allowed these potatoes to be used by the Pik-Nik Co. in the manufacture of their product for so many years, to seize upon a technicality, and it is a technicality, and claim that this exemption or this certificate of privilege is now invalid.

I think it shows that the statute needs revision, that it is now antiquated, because it does not take into account the fact that since the words canning or freezing were originally placed in the law as an exemption that there have been any number of new processes for preserving food which now should be considered.

I repeat that the intent of Congress, and I think you will all agree with me, was to keep certain substandard products, in this case No. 1 B size potatoes off the fresh market. The Pik-Nik process definitely does not produce a fresh product. It is placed on the grocer's shelves in the section with canned food. It is controlled insofar as labor is concerned by the cannery workers union and comes under their jurisdiction. I know Pik-Nik has worked closely with the National Cannery Association. I think that you will find there have never been any complaints about the shelf life of the Pik-Nik product. It is preserved and it is canned. So, I repeat again, this is not in the fresh market. It meets the intent of Congress. And I think it only proper that we revise the law so as to include this type of processing as coming within the exemption given to canning and freezing.

All we are asking for in this bill, H.R. 11243, is to now more clearly and more definitely spell out what I am sure and I think you will agree was the intent of Congress.

One point which may not be particularly significant in determining this issue, but certainly is something that we ought to consider in this day and age, I think that while there is hunger in this country and while there is a definite feeling on the part of so many Americans that we should do something about hunger, that we cannot justify the waste of edible foodstuffs which have been finding their way to the consumer. If we do not allow this process, which has continued over so many years, and allow these people to utilize this edible potato in the manufacture of this particular product, the shoestring potato, then I think we will be consigning this product to the waste heap. We cannot justify that in this day and age.

There is a question of employment; 30 people are employed year-round in San Jose. They are members of the Cannery Workers Union, and they will be placed out of employment if due to economic reasons incident to this regulation the Pik-Nik people are forced out of business.

We could be setting a precedent here which might result in further unemployment if we allow an interpretation on purely technical

grounds, which I repeat violates the intent of Congress, to stop a long-standing practice in this industry.

Probably this will be inserted into the record but I have a letter from the General Manager of the Pik-Nik Co. dated March 8, 1969, and with your permission, I would like to conclude my testimony by citing six arguments which Mr. Runzler, the general manager, has included in this letter. Many of them will repeat what I have already stated.

Mr. FOLEY. Mr. Gubser, may I interrupt? Mr. Runzler is here and is going to testify. It would be all right as far as the committee is concerned, but you may be preempting most of his testimony.

Mr. GUBSER. Very good. I think, Mr. Chairman, that about summarizes my points on this. I am very grateful to you and the members of the committee for giving us this timely hearing on the matter which is of great concern to us and to the employees of our congressional district. Thank you very much. I will be happy to answer any questions.

Mr. FOLEY. May I just ask a question concerning the location of the Pik-Nik Co. Is it in your congressional district?

Mr. GUBSER. I believe this is a Congressman Edwards' district. But we jointly claim the city of San Jose.

Mr. FOLEY. Mr. Sisk?

Mr. SISK. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Mr. Gubser, while you and Congressman Edwards are primarily interested in the Pik-Nik Co., is it not true that other similar industries in other States are affected also?

Mr. GUBSER. I do not know of any at the present time, Mr. Goodling, but certainly if you establish this precedent it certainly could apply.

I would say one other point which I neglected to mention which you reminded me of. I think this is discriminatory against those who operate such businesses in the California-Oregon area which in this case happens to be only the Pik-Nik Co., because of the fact that their competitors across the Nation can continue to use B size potatoes whereas the Pik-Nik Co. is singled out as the one company that is not able to. Now, this admittedly is due to the fact that the marketing agreement or marketing order applies only to this section and that if other growers in other parts of the country were to adopt similar marketing agreements or orders, then the situation would hold true in other parts of the country, but at present it is only the Pik-Nik Co. which is going to be affected by this reversal of policy, long-standing policy, I might add.

Mr. GOODLING. I represent a lot of chip industries. I do not want to see any discrimination there any more than you do against the Pik-Nik people.

That is all, Mr. Chairman.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. No questions.

Mr. FOLEY. Thank you very much.

Mr. GUBSER. Thank you, Mr. Chairman.

Mr. FOLEY. The next witness will be Mr. Floyd F. Hedlund, Director, Fruit and Vegetable Division, Consumer and Marketing, Service, U.S. Department of Agriculture.

STATEMENT OF FLOYD F. HEDLUND, DIRECTOR, FRUIT AND VEGETABLE DIVISION, CONSUMER AND MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. HEDLUND. Mr. Chairman, members of the Committee, my name is Floyd Hedlund, Director of the Fruit and Vegetable Division, Consumer and Marketing Service, U.S. Department of Agriculture.

H.R. 11243 is a bill to add to the canning and freezing exemption in the Agricultural Marketing Agreement Act of 1937, as amended, potatoes for other processing. This bill would exempt potatoes for dehydration, potato chips, starch, and flour from regulation by marketing orders under the act.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the act.

The use of potatoes for food processing has been increasing sharply. Only about 14 percent of the 1956 crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume in 1967, but large quantities were also used for dehydration and potato chips. Dehydrated potato processing increased sixfold during the 1956 to 1967 period, while the use of potatoes for chipping and the like more than doubled. Utilization data for the 1968 crop will not be available until September; however, trade reports indicate that the use of potatoes for processing, particularly freezing, continues to increase. Continued expansion of potato sales to food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. Five of these orders authorize the regulation of potatoes for dehydration and other processing.

Some of the marketing order programs date back many years. In 1967, areas operating under Federal marketing orders produced approximately 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. It is estimated that of the 1967 potato crop, 64 million hundredweight of potatoes were used for dehydration, potato chips, shoestring potatoes, starch, and flour. Of

this quantity, 32 million hundredweight were produced in areas covered by marketing orders.

The Agricultural Marketing Agreement Act of 1937 authorizes marketing orders for specified agricultural commodities as a means of increasing returns to producers. These programs are administered locally by industry-nominated committees made up of producers and handlers of potatoes. Their activities are financed by industry-paid assessments.

Attached are tabulations showing the U.S. production of potatoes in 1968 and utilization of the potato crop from 1956 through 1967.

(The attachment to Mr. Hedlund's statement follows:)

POTATO PRODUCTION BY STATES IN 1968 AND PERCENTAGE OF U.S. TOTAL PRODUCED IN EACH STATE

State	Production (thousand hundred- weight)	Percent of total	State	Production (thousand hundred- weight)	Percent of total
Alabama.....	2,085	0.7	Nevada.....	138	(1)
Arizona.....	2,323	.8	New Hampshire.....	230	.1
Arkansas.....	126	(1)	New Jersey.....	3,570	1.2
California.....	29,629	10.1	New Mexico.....	774	.3
Colorado.....	11,005	3.8	New York.....	17,158	5.8
Connecticut.....	1,254	.4	North Carolina.....	1,986	.7
Delaware.....	1,539	.5	North Dakota.....	15,660	5.3
District of Columbia.....			Ohio.....	3,145	1.1
Florida.....	6,767	2.3	Oklahoma.....	30	(1)
Georgia.....			Oregon.....	12,290	4.2
Idaho.....	59,505	20.3	Pennsylvania.....	7,585	2.6
Illinois.....	414	.1	Rhode Island.....	1,260	.4
Indiana.....	1,381	.5	South Carolina.....	40	(1)
Iowa.....	576	.2	South Dakota.....	621	.2
Kansas.....	124	(1)	Tennessee.....	314	.1
Kentucky.....	195	.1	Texas.....	4,382	1.5
Louisiana.....	145	(1)	Utah.....	1,072	.4
Maine.....	36,890	12.6	Vermont.....	285	.1
Maryland.....	414	.1	Virginia.....	4,332	1.5
Massachusetts.....	1,036	.4	Washington.....	24,173	8.2
Michigan.....	8,067	2.7	West Virginia.....	390	.1
Minnesota.....	13,919	4.7	Wisconsin.....	11,895	4.0
Mississippi.....	188	.1	Wyoming.....	608	.2
Missouri.....	240	.1			
Montana.....	1,458	.5	Total.....	293,438	100.0
Nebraska.....	2,220	.8			

¹ Less than 1/10 of 1 percent.

² Includes 2/10 of 1 percent not allocated.

Source: Statistical Reporting Service, U.S. Department of Agriculture.

POTATOES—UTILIZATION OF 1956-67 CROPS

Utilization items	Crop year (1,000 hundredweight)											
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Fresh food:												
Tablestock	146,048	148,408	148,868	148,497	149,002	153,594	149,710	146,981	129,513	139,542	133,856	131,367
On farm	9,312	8,176	7,279	5,913	5,310	4,773	3,955	3,400	2,776	2,597	2,378	2,289
Subtotal	153,360	156,584	156,147	154,410	154,312	158,367	153,665	150,381	132,289	142,139	136,234	133,656
Processed food:												
Chips, etc.	14,566	17,356	17,063	20,085	21,018	22,642	24,086	26,693	28,783	31,292	32,729	32,699
Dehydration	3,223	3,776	5,917	7,656	10,104	8,518	9,280	9,909	10,801	20,166	19,811	19,084
Frozen	4,675	4,827	8,263	9,918	15,042	18,138	18,400	22,425	23,654	37,302	39,631	39,609
Canned	2,283	2,606	2,864	2,447	2,809	2,775	2,926	3,240	3,201	3,348	3,386	3,480
Subtotal	24,747	28,565	34,107	40,106	48,973	52,073	54,692	62,267	66,439	92,108	95,557	94,872
Total food	180,107	185,149	190,254	194,516	203,285	210,440	208,357	212,648	198,728	234,247	231,791	228,528
Starch, flour	18,336	12,691	18,387	7,718	10,177	20,493	11,285	11,737	2,990	8,081	11,001	12,049
Feed sales	7,675	8,950	18,918	6,607	5,348	20,340	7,913	10,103	5,587	5,797	8,440	16,171
Feed on farm	4,148	2,718	3,916	3,104	2,940	4,192	3,340	3,087	1,871	2,179	2,930	2,781
Total	11,823	11,668	22,834	9,711	8,288	24,532	11,253	13,190	7,458	7,976	11,370	18,952
Seed sales	13,435	13,641	13,079	13,583	14,823	13,823	14,333	14,159	14,203	16,992	16,173	15,877
Seed on farm	6,752	7,577	7,086	7,093	7,560	7,191	5,955	5,911	7,363	6,510	8,113	7,436
Total	20,187	21,218	20,165	20,676	22,383	21,014	20,288	20,070	21,566	23,502	24,286	23,313
Shrinkage, loss	15,339	11,796	15,257	12,651	12,971	16,687	13,627	13,513	10,334	17,433	28,454	22,570
Total production	245,792	242,522	266,897	245,272	257,104	293,166	264,810	271,158	241,076	291,169	306,902	305,412

Source: Annual reports of the Statistical Reporting Service, U.S. Department of Agriculture.

Mr. FOLEY. Thank you very much, Mr. Hedlund.

Mr. Sisk?

Mr. SISK. Mr. Chairman, I would like to inquire of the witness exactly how broadly he interprets this processing. As I would understand from your statement, Mr. Hedlund, this would actually give an exemption for any and all kinds of uses of potatoes except the shipment of fresh potatoes to the market. Is that correct?

Mr. HEDLUND. Well, Mr. Sisk, it is not entirely clear. I think perhaps that is what the sponsors had in mind, but there is a question of whether simply peeling a potato constitutes processing. It is not entirely clear from this bill whether peeling would be considered processing or not. Perhaps other witnesses will treat that subject more fully.

Mr. SISK. That goes, of course, to the crux of my question. What is the legal determination of processing? I raise this question as I feel it may set precedents for other commodities. I am sure you know, Mr. Hedlund, being in the administration of marketing orders, many of us are very vitally concerned with the operation of these orders for the purpose of increasing the income to growers.

I am concerned as to whether or not we would be setting a precedent. Now, I have all the sympathy in the world for these people currently caught in a trap in San Jose—but it seems to me there might be another way out. I would like to explore that issue with you, but just what is the legal determination of processing? What actually has to occur between the time a product is considered fresh and until it is processed?

Mr. HEDLUND. Well, I am not sure there is a legal determination on what constitutes processing. I think it ought to be defined in this bill if this becomes law. It should be defined specifically what processing is meant to include.

Mr. SISK. I agree it is a term for the good of the future of the marketing orders and their influence or effect upon assistance to growers. There will have to be some kind of interpretation of just how broad it is. For example, does the peeling of a potato mean it is processed? I would hope, Mr. Chairman, that before these hearings are concluded we are able to get a legal definition. I have had raised with me questions about what we are doing from a precedent-setting situation.

Let me go to the next question. In the opinion of the gentleman representing the Department this morning, are there other ways where this particular situation might be met or might be remedied without going to the extent that this bill goes in the total exemption for all kinds of processing or other processing? Has the Department given any thought to some other method of placing this particular matter in a fair competitive situation? I can understand the U.S. Department of Agriculture feeling they were canners. They were canning these potatoes. They are actually, I understand, vacuum sealed and because of a recent interpretation they find themselves in a trap. I am sympathetic with the trap but I do not want to burn the house down because of a mosquito in it.

Mr. HEDLUND. Mr. Sisk, of course, you could make an exemption for that particular organization or any particular type of product. We do not disagree with the idea of equating all of the processors in one category. That is, that they should be on a competitive basis.

We suggested an alternative would be to put everything—

Mr. FOLEY. Will the gentleman yield?

Mr. SISK. Yes.

Mr. FOLEY. I am a little confused by that suggestion. The Pik-Nik Co., I understand, claims it would be at a disadvantage with respect to other processors in other parts of the country that are not operating under a marketing order. If the marketing order excluded all processors, how would it help Pik-Nik?

Mr. HEDLUND. Well, this alternative would simply make all potatoes eligible to have a marketing order irrespective of use of the potatoes, whether they were fresh market, canning, freezing or other processing. Under such circumstances, of course, all processors would be on the same statutory basis.

Mr. SISK. Is it not a fact—or maybe the witness will prefer not to comment on this—but is it not true that there is throughout the agricultural industry on the part of growers considerable interest in eliminating all exemptions, going just in the opposite direction of what we would be going in this bill?

Mr. HEDLUND. Yes, there has been interest expressed in that direction. I believe there have been bills before this committee, one before the Congress now, having to do with pears for canning and freezing.

Mr. SISK. That is the point I am making. In other words, generally the pressure, if I can use that term for lack of a better one at the moment, from growers of fruits and vegetables has been in the opposite direction; that is, of eliminating all exemptions for purposes of better stabilization and better control of the flow of commodities. This legislation then would be actually, in a sense, reversing that position.

Mr. Chairman, that is all.

Mr. FOLEY. Mrs. May?

Mrs. MAY. Mr. Hedlund, in your opinion, how well have the marketing orders that are in effect in several major potato-producing areas of this country been working for the benefit of the producers?

Mr. HEDLUND. Well, Mrs. May, that is always a difficult question to answer. I suppose you can say they are more successful in some areas than in others. I think the fact that producers still want them, still use them and, in some places insist upon having them, is some evidence that they are resulting in some benefits to the producers.

Mrs. MAY. And, according to your statement, then, the passage of the bill that is before us in its present form would definitely harm the gains to the producers that they now have under those marketing orders that are in existence.

Mr. HEDLUND. Yes. I think it would reduce the bargaining power of the producer in the sale of his potatoes.

Mrs. MAY. And going again to Mr. Sisk's questions, at this time in your Department you do not have anything to recommend to us in the way of wording that might help the particular company who has the special problem without harming the existing successful marketing orders. Is that correct?

Mr. HEDLUND. No. We do not have anything at this moment. We have not been asked to investigate that particular subject, but we certainly would be glad to do so.

Mrs. MAY. Well, I personally certainly do not want to do anything to weaken or harm present marketing orders for potatoes, because I do feel marketing orders are an important tool that helps producers.

At the same time, we all recognize the difficult bind that the Pik-Nik Co., is in, and perhaps others. I look forward to trying to work with your Department to see if there is another approach that does not require that we throw the baby out with the bath water.

Thank you.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Hedlund, in the second paragraph of your statement, you have admitted that there is discrimination at the present time, and in that same paragraph you say inasmuch as the potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing.

Is that good or bad?

Mr. HEDLUND. Well, Mr. Goodling, it depends on what the purpose is. If the purpose is simply to equate processors with each other, this would do it. If your purpose is to help agricultural producers or potato producers, then you would probably do something different.

Mr. GOODLING. I am more familiar with the fruit industry than I am with the potato industry. In the fruit industry we encourage putting some of the so-called offgrade products into cans rather than selling in the fresh fruit market. The quality is just as good in many cases but the eye appeal is not. We know, if we take some of this so-called low-grade fruit off of the fresh market, we are encouraging people to buy a better grade of fresh fruit. It has been working out very successfully in our industry. Do we not have a right to expect that it would do the same for the potato industry?

Mr. HEDLUND. Yes, Mr. Goodling. You have a point that many commodities or products are put into cans or frozen, and so forth; but some agricultural industries do not like the idea of selling their product at a very cheap price, processing it and then having it come back to compete with their premium product in the retail store.

Mr. GOODLING. I know that until you people or some of us develop a better way of producing we are always going to have some so-called offgrade products. We have not learned to eliminate them in any phase of agriculture so far.

Mr. HEDLUND. Yes. I think we are going to have to deal with Mother Nature whatever you are doing in agriculture.

Mr. GOODLING. Would this bill have any effect in areas where there are no marketing orders?

Mr. HEDLUND. Where there are no marketing orders in operation, I would not think this would have any consequence.

Mr. HEDLUND. Eventually, it could have.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. No questions.

Mr. FOLEY. Thank you very much, Mr. Hedlund. We appreciate your testimony this morning.

The next witness will be Mr. Frank Runzler, general manager, Pik-Nik Foods Co., San Jose, Calif., accompanied by Mr. Anthony Giacomini, his attorney.

STATEMENT OF FRANK RUNZLER, GENERAL MANAGER, PIK-NIK FOODS; ACCOMPANIED BY ANTHONY GIACOMINI, ATTORNEY

Mr. RUNZLER. My name is Frank Runzler, general manager of the Pik-Nik Co. We are located at 214 Dupont Street, San Jose, Calif.

To better inform you, the Pik-Nik Co. is a division of Beatrice Foods Co. We process potatoes and manufacture canned french fried shoestring potatoes. This is our only business and function.

Pik-Nik sells and competes with other shoestring manufacturers in various areas. Although we are on the west coast, our largest segment of business is conducted in Illinois, Wisconsin, Iowa, Minnesota, North Dakota, South Dakota, Missouri, Kansas, and Nebraska; with some activity in Oklahoma, Michigan, Kentucky, and Massachusetts. We also sell to various military installations—primarily to overseas bases. Most of our military business, until recently was on a bid basis through the Army and Air Force exchange system for shipment to Vietnam.

Pik-Nik has been in business since 1939 and always located in San Jose, Calif. It has been a division of Beatrice Foods since 1961. We are an autonomous operation with all decisions, except approval of capital expenditures, being made in San Jose. Since the advent of our problems with the U.S. Department of Agriculture in October of 1968 much has changed—especially our employees' morale, due to the disruptive force of present interpretation of marketing order No. 947. Pik-Nik has, since March 1, 1969, been operating at a loss.

Since 1942, Pik-Nik has acquired its potatoes from two regions: (1) the Klamath Basin—which includes southern Oregon and the two northernmost counties in California—and (2) the central and southern areas of California.

The Klamath Basin region has from 1942 until October of 1968, been our only source of potatoes for the winter months from October until June. Pik-Nik purchases a Russet Burbank variety potato of a U.S. No. 1, B size, grade. This particular potato is an excellent product and is exactly as good as any fresh table grade A size. The only difference between the product we process and the U.S. No. 1 A size, potatoes is the size.

When Pik-Nik first started purchasing potatoes in the Klamath Basin, the growers were most appreciative because Pik-Nik was able to use a size that previously had been discarded. Pik-Nik used potatoes that were not, and presently are not, nor will they ever be, competitive with the fresh potato market. During the months of June through October, Pik-Nik purchases a U.S. No. 1-B size Russet Burbank variety in California.

In the late 1940's, Marketing Agreement No. 114, affecting the major portion of Oregon—excluding Malheur County—and including Modoc and Siskiyou Counties, Calif., was adopted by affirmative vote of the producers and handlers of the area pursuant to the Marketing Agreement Act of 1937 (7 USCA 608 et seq.). Thereafter, Marketing Order No. 59 was promulgated, which can be found, in its present form, in 7 CFR 947.1 through and including 947.140. Since about 1948, annual regulations pursuant to Marketing Order No. 59 have been published in the Federal Register.

For the purposes of clarity, I wish to refer to the Marketing Agreement Act of 1937 as the act, the Marketing Agreement No. 114 as

the Marketing Agreement, Marketing Order No. 59 as the marketing order, and the Federal Register regulations as the regulations.

The marketing order established a committee of potato growers and potato handlers under the title of the Oregon-California Potato Committee to administer the marketing agreement, the marketing order, and the regulations issued by the Secretary of Agriculture. The committee has the power to make rules and regulations which may, or may not, be adopted by the Secretary of Agriculture, to investigate and report violations of the marketing order, and to employ a manager. Although technically not a part of the Department of Agriculture as such, the committee operates as an advisory and administrative adjunct to the Department of Agriculture, which is charged with the primary responsibility of administering the marketing agreement, marketing order, and regulations issued pursuant thereto.

When the marketing agreement was made, the act, as amended, excluded from its jurisdiction manufacturers of canned or frozen potato products.

From 1948 through the 1968 crop season, Department of Agriculture regulations for each crop year set minimum standards of quality and size for potatoes sold from the area covered by the marketing order. Commencing with the 1949 crop season, these regulations permitted shipments of potatoes not meeting the minimum size and quality requirements of the regulations for certain specified uses. Included in these specified purposes was canning and freezing. Throughout the period of all of these regulations, Pik-Nik continued to buy potatoes which did not meet the minimum size and quality requirements of the regulations. The only exception during these periods applicable to Pik-Nik was canning.

Shortly after October 15, 1968, the effective date of the current regulation, Mr. Lloyd Baker—the then newly appointed committee manager—informed the handler who has, over the years, supplied the raw material potatoes for Pik-Nik, that Pik-Nik was no longer qualified to purchase special purpose shipments from the Klamath Basin because it was not a canner. On October 21, 1968, an inquiry to Mr. Robert H. Eaton, in charge of the U.S. Department of Agriculture northwest marketing field office in Portland, Oreg., as to why there was such a sudden change in Pik-Nik's status, got the response that the Washington, D.C., office of the Department of Agriculture had informed him and Mr. Baker, after a request by Mr. Baker, that canning, for the purposes of the act, was defined as follows:

* * * a preserving process whereby the commodity is cooked in liquid in can or glass which is hermetically sealed.

and that, since Pik-Nik seals its product in a hermetically sealed can without liquid, it is not engaged in canning as contemplated by the act. Mr. Eaton further stated that the Department's policy for the 1968 crop was to limit the flow of potatoes not meeting the minimum size and quality requirements to processors from the crop and that, for the reason, prepeeling had been removed as a special purpose use for the 1968 crop. He stated that Pik-Nik was a prepeeler, he had had no response to two inquiries, that is, (1) why had Pik-Nik been allowed to receive special purpose shipments prior to the inclusion of "prepeeling" in the regulations beginning in 1960, and (2) why, in the

past, when special purpose shipments had to specify the status of the user, Pik-Nik had been declared to be a canner.

The casual indifference toward Pik-Nik was both shocking and surprising because: (1) Prepeeling as defined in the regulations issued under the marketing order for the crop season of 1960 on, defined a prepeeled product as a fresh, uncooked tuber treated by sulfur dioxide (SO_2) to prevent discoloration; and (2) the committee has issued special purpose shipment permits in the past expressly recognizing Pik-Nik as engaged in the canning of potatoes as exempted by the act, the marketing order, and the regulations.

At this point, Pik-Nik was literally cut off from Oregon potatoes for the winter months.

I personally met with Mr. John Blum and various other U.S. Department of Agriculture officials in Washington in December, 1968. At that meeting, one of the Department officials stated that when the decision was made in Washington to so define canning, no Department personnel in Washington was even aware that Pik-Nik existed. Indeed, this particular official lamented it was too bad he did not know Pik-Nik was located in San Jose because he had been visiting the San Jose area around November 15, 1968.

Mr. Blum explained the purpose of the present regulations under the marketing order was to increase grower returns. I explained that Pik-Nik, in order to be competitive with other shoestring canners, needed an unrestricted supply of U.S. No. 1-B size potatoes because Pik-Nik's main competition has its plants in the States of New York and Arkansas, and they use raw materials from areas not governed by marketing orders. I told him that if Pik-Nik were forced to purchase U.S. No. 1-A size, Pik-Nik would be at a complete disadvantage with competition. Mr. Blum's response was that we should raise prices. My response was, competition being what it is, we simply could not. Mr. Blum agreed to review the definition of canning and to inform us as soon as possible. Very shortly we were informed that the U.S. Department of Agriculture was unrelenting in its definition of canning.

Another meeting in Mr. Blum's office was held in January 1969. This time, our counsel, Mr. Anthony Giacomini, accompanied me. This time, we produced copies of shipping permits defining Pik-Nik as a canner, which was greeted with a shrug of the shoulders. We were told, in effect, that the treatment of Pik-Nik as a canner by the Department and the committee for the past 20 years had been wrong. We were amazed at this attitude, because we presumed that Government officials acted within the law and in good faith. We were told our status would be reconsidered, and were soon notified that canning was now defined as requiring:

* * * that the product be heat sterilized in hermetically sealed containers, with application of sufficient heat, at the time of or immediately after sealing the contents in the container, to achieve adequate sterilization of the contents and the interior surfaces of the container so as to assure preservation of the contents.

The Department has attempted to justify its definitions of canning by reference to standards of canned potatoes under the Food and Drug Act. We submit that Pik-Nik has, for over 30 years, met these standards for canned potatoes and that the definitions of canning employed

by the Department in 1968 and 1969 are not consistent with those standards.

Because Pik-Nik was not allowed to purchase U.S. No. 1 B size potatoes, Pik-Nik was forced to close temporarily on February 20, 1969. We remained closed until March 10, 1969. This, of course, forced the layoff of our entire staff—30 employees, all members of Cannery Workers Local No. 679.

So, gentlemen, the current administration of Marketing Order No. 947 literally closed our operation.

With very limited supplies, we reopened on March 10, 1969. To illustrate just how inefficient our operation has been because of our not being able to purchase U.S. No. 1 B size Klamath Basin area potatoes, our production was down over 30 percent during the months of February, March, April, and May of 1969 as compared to the same months of 1968. As a result of our low production, low inventories, and excessive competitive activity, we are operating at a loss.

In the final analysis, the Department of Agriculture has attempted to justify its position toward Pik-Nik since October 1968 to the present time on the basis that its purpose is to benefit the potato industry by limiting shipments of potatoes not meeting the minimum size and quality requirements of the regulations to processors because the Department claims such shipments depress potato prices.

No one can quarrel with efforts to improve the potato industry; all who are in the industry desire to improve it. But if shipments to processors are harmful, as the Department of Agriculture states they are, then the Department of Agriculture has poorly served its objective of limiting shipments to processors, because more shipments of Russet-type potatoes have been shipped for processing from the marketing order area from the 1968 crop than were shipped from the same area from the 1967 crop.

Also, while poorly serving this objective, the Department of Agriculture has issued a regulation which permits processors within the marketing agreement area to receive and process potatoes without reference to minimum size or quality requirements, while denying processors of the same type of products from outside the area access to the same raw material, raising a serious question of equal protection under the law. Moreover, it has permitted certain users of potatoes not meeting the minimum size and quality requirements to take potatoes from the Klamath Basin area while denying Pik-Nik (the longest user of such potatoes from the Klamath Basin area) the opportunity to purchase them.

We submit that the policy of the Department of Agriculture is behind the times.

The Klamath Potato Growers Association, by a letter dated May 16, 1969, signed by Walt Jenerdziejewski, secretary and county agricultural agent, has made it plain to the farmers within the Klamath Basin area that the basin cannot long continue without adequate processing outlets which lend themselves to utilization in a growing dehydration market in which, at the present time, the Klamath Basin growers have been precluded from participating in any substantial fashion.

That processing is the salvation of the potato industry has been explored and discussed at great lengths at the proceedings of the second annual Oregon potato growers meeting held in Madras, Oreg. on

January 23rd and 24, 1969. At that meeting, G. B. Wood of Oregon State University, pointed out that the factors affecting potato marketing and prices has been the high rate of instability within the industry arising primarily from a very high inelastic demand for potatoes and a yearly variation in potato production. He explained that the low financial return for the 1967 potato crop was the result of a good potato year in 1964 when freezing weather brought the highest potato prices in about 40 years. Acreage expanded 8 percent in 1965 over 1964; another 5 percent in 1966 over 1965; and the fall of 1967 was excellent and storage losses were at a low level. As a result, the 1967 year started with about 9 percent larger stocks than were on hand in 1966. Larger stocks, coupled with a buildup in production in the face of a rather constant total demand for potatoes, presented a troublesome situation which resulted in very unprofitable potato prices to potato growers throughout the country for the 1967 crop. A smaller supply of potatoes according to Professor Wood, had a correspondingly favorable effect on potato prices for the 1968 crop. He concluded his analysis by pointing out the future of the potato industry and the key to expansion is the development of processing outlets with the potato being treated as a raw material and used as such.

We submit that the inherent inequities of the present regulations, the act, and the marketing order, as dramatically shown in the problems that beset Pik-Nik, should be remedied by the present bill before this committee.

All we want, gentlemen, is to be allowed to compete with the same rules and laws governing all canners, freezers, and processors. May I emphasize again, Pik-Nik is only the first example of what can happen to a processor if this inequity is not corrected by a new law granting exemption.

Thank you for allowing me to speak.

Mr. FOLEY. Thank you, Mr. Runzler.

Mr. Sisk?

Mr. SISK. Mr. Chairman, let me commend Mr. Runzler on a very concise and well thought out statement.

Is the position of Pik-Nik that the Department was erroneous in its interpretation and definition of a canner or canning in this particular case?

Mr. RUNZLER. Yes, sir.

Mr. SISK. Having seen your product, I would assume it to be a canned product. It certainly is in a can and it would appear to be canned. So, would a simple redefinition of canning solve your problem?

Mr. RUNZLER. It would depend upon who was interpreting in the Department of Agriculture in the future. I would feel rather uneasy if another interpretation were to come along at a subsequent date.

Mr. SISK. I share your concern because, of course, if the rules of the game are switched in the middle of the stream, so to speak, and that is what happened, you would never know what to expect. As I indicated earlier, Mr. Runzler, I am sympathetic to your problem. The concern I express is a concern that I think has been indicated by people throughout the country who today are operating under marketing orders. There is a great need to define what is actually meant by the use of the term "other processing."

Now, if we go all the way and eliminate it or exempt all products

today under marketing orders for all kinds of processing, you can see immediately, I think, the problem that would arise. The Department of Agriculture and, of course, this committee, has to be primarily concerned with the stabilization of pricing of agricultural commodities from the standpoint of income to the grower. That is the reason I raise the question. You heard my question to the Department witness a moment ago as to whether or not there might not be another way, somewhat more limited, to meet this particular problem? Do you have any suggestions in that area?

Mr. RUNZLER. I could not come up with anything right at the moment.

Mr. SISK. The concern is what seems to me to be a rather blanket statement, "other processing." We are covering the field, because you discuss here about this prepeeled potato. You heard the comment also by Mr. Hedlund with reference to whether or not peeled potatoes become processed potatoes. Would they be processed, in your opinion?

Mr. RUNZLER. No, sir. I think—there are witnesses following me, but I think the definition after processor is one who materially changes the stability of product. Now, there are other people that are technically better versed in this than I am, but I think it would include or be a fairly accurate statement.

Mr. SISK. Could you give the committee briefly the range in costs or differentials in costs between a grade A, No. 1 grade, and that of a B size? What was your relative differential in cost in Klamath Basin?

Mr. RUNZLER. Because we did not attempt to purchase U.S. No. 1A size in the Klamath Basin area, I am really not familiar with their price structure up there. We simply—we will provide you with what the cost would be at a later date after we have had time to do some research.

Mr. SISK. It would seem to me that this would be of some interest to the committee. Let us assume for the moment that we went in the other direction in line with our discussion a little while ago with Mr. Hedlund and removed all exemptions from the law governing all products under Federal marketing orders. Would they all be in an equal competitive position?

Mr. RUNZLER. If you removed all exemptions, I think you would have chaos that would end up with a can of potatoes like this that normally sells for 10 cents a can on the shelf, if you remove all the exemptions it would end up even at today's inflated prices it could theoretically cost a dollar. If you control or removed all the controls and there were no exemptions granted and growers would get together, which is certainly part of the business in today's present competitive world, if that would happen the price of potatoes, in my opinion, would skyrocket. I think we would only be the first of many, many people parading to Washington, because I think it would be harmful.

Mr. SISK. I take some exception to that remark, Mr. Runzler, because the law itself would set up the operation, and regulations under the Marketing Order Act. The Department of Agriculture and the Secretary certainly have responsibility not only to the grower, but also to the consumer. I would seriously doubt the validity of that argument. It might increase the price of that can to 15 cents or it might even increase it to 20 cents. This whole philosophy today with reference to the problems of agriculture and the admitted situation where

nationally agriculture today is getting a far smaller percentage of the dollar than other industries, raises the whole question of whether or not the growers should not be given some protection. He should have the right to make some determination as to what he is going to sell his product for and whether or not the price he receives meets the cost of production plus a decent living wage. This is the responsibility of the Department of Agriculture so far as agriculture is concerned. Do you agree?

Mr. RUNZLER. Yes; I agree.

Mr. SISK. That is all.

Mr. FOLEY. Thank you.

Mrs. May?

Mrs. MAY. Mr. Runzler, I, too, want to thank you for a well stated case. I think perhaps you already are aware of the problem we are running into, the practical problem in this subcommittee, of very widespread concern among potato producers throughout this country about the extent to which this proposed legislation goes. I gather from my own communications, and I am sure the other members of the committee have the same experience, that these producers feel as Mr. Hedlund said in his statement, and I quote: "The bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers in view of the increasing quantity of potatoes going into the processing uses."

Now, admittedly there is always room for a difference of opinion as to how big a factor a marketing order is in setting the price of potatoes in any one area of the country. And you have made some statements about what happened on prices of potatoes in certain years, and I do not have the expertise or the facts to take issue with you, and I would not intend to. I will accept the study as made by Professor Wood and others.

What I would like to ask—did you, when you had the administrative regulations changed very suddenly on you, then did you look for other sources of potatoes for your firm in other parts of the country that might not be operating under a marketing order?

Mr. RUNZLER. We looked to other sources but the distances that potatoes would have to have been shipped to San Jose, for instance, from North Dakota, would just put us right out of business with regard to the price that it would cost us for the potatoes, for the raw material.

Mrs. MAY. What, then, was the impact on those potato producers in the Klamath area from whom you had been purchasing your basic supply for the Pik-Nik Co.? I understand you could no longer purchase from them. What was their attitude on it?

Mr. RUNZLER. Would you—I really do not understand that question.

Mrs. MAY. Well, you were buying potatoes in the Klamath area.

Mr. RUNZLER. Yes.

Mrs. MAY. Up until the time these changes in administrative orders were made. I assume that your inability to purchase potatoes in that area must have had some effect on the producers in that area from whom you had been making your purchases, right?

Mr. RUNZLER. Yes. They were not able to sell them because the order so stated that they could not ship—they could not be shipped from that area.

Mrs. MAY. What I am trying to get from you, have they protested on your behalf the new change in the administration of this marketing order?

Mr. RUNZLER. No. We are not that large a user.

Mrs. MAY. I see.

Mr. RUNZLER. We are not a big fish, so to speak.

Mrs. MAY. The impact on them, then, was negligible as compared to the terrific economic impact on you.

Mr. RUNZLER. Yes.

Mrs. MAY. I would like to just follow very briefly one more question following up Mr. Sisk's line of questioning, and again I think—I am not sure I understand your answer to this question, but I will ask it again, then.

If we did not extend exemptions beyond canning or freezing, which will be difficult to do, but if we do come up with a new definition of canning to include the particular process employed by you at Pik-Nik, that would be of help, would it not?

Mr. RUNZLER. Yes.

Mrs. MAY. And you have not explored with your attorneys or advisers this particular approach.

Mr. RUNZLER. We have met three times in Washington with the officials of the Department of Agriculture and they have been unrelenting in their position with regard to this particular definition or definitions that they gave to us.

Mrs. MAY. While Mr. Hedlund is in the room, Floyd, would you mind commenting on that while we are here? Is it possible for this committee, in your viewpoint, to possibly come up not with the far-reaching legislation we have before us but a change in the canning definition that might give relief in this area, and what would be the implications?

Mr. HEDLUND. Mrs. May, certainly the committee and the Congress could change the definition of canning to include the process that Mr. Runzler has described or any other process. Certainly, that could be done and presumably give relief to those who were then exempted.

Mrs. MAY. Thank you.

That is all, Mr. Chairman.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Runzler, Mrs. May touched on this question that I was going to ask. You indicate that you operate in 13 States other than California.

Mr. RUNZLER. Yes, sir.

Mr. GOODLING. Are you affected by marketing orders in any other area?

Mr. RUNZLER. No. We are not affected by the summer supply of potatoes. California does not have a marketing order where we get our summer potatoes. Does that answer your question?

Mr. GOODLING. Do you have plants in these other States or have potatoes shipped from those States into California?

Mr. RUNZLER. Into California. We have no other plants, just this one.

Mr. GOODLING. From what I have read and heard of this regulation

from the Department, it objects primarily to the fact that you process your potatoes and then can them. Is that correct?

Mr. RUNZLER. Maybe Mr. Hedlund could tell me. Would you repeat that, please, sir?

Mr. GOODLING. I have been told, or at least I read somewhere, probably got this from the Department, that the objection that it has to your method of doing this processing is that you process your potatoes and then can them.

Mr. RUNZLER. Yes, sir. That is primarily correct.

Mr. GOODLING. Well, that brings me to another very important question. What is the status of the chippers in your area or do you not have chippers?

Mr. RUNZLER. We do, and I am sure there are other people here that are qualified to speak on that, sir.

Mr. GOODLING. I would think the Department, to be consistent, should apply the same rules and regulations to chippers because we all know that chippers are processed and then packed. They cannot be packed and then processed.

RUNZLER. Yes. I would agree. They should be consistent.

Mr. GOODLING. I think it is very important to give that thought some consideration because if the Department is going to be consistent, it must apply the same rules to both the chippers and the way you do your processing.

Mr. RUNZLER. That is what we are asking for, sir.

Mr. GOODLING. That is all.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Runzler, I, too, think it is a very fine statement. I also serve on the Government Operations Committee and the research subcommittee of that committee last week held hearings for 4 days on the canning industry. One of the criticisms was, and I think the Department of Agriculture also testified to this, that canners were adding too much liquid, that they were not getting enough content in the cans, that they needed to reduce the amount of liquid. Now—I think I recall the Department of Agriculture saying this—now they are critical because you do not put any liquid in. I wonder if the right hand knows what the left hand is doing. I am a little bit alarmed by what is happening here.

Mr. RUNZLER. So are we, sir.

Mr. MYERS. I can certainly understand. Are there any other companies besides you that are affected?

Mr. RUNZLER. By this marketing order?

Mr. MYERS. Yes.

Mr. RUNZLER. Not that I know of, sir.

Mr. MYERS. Any other processing companies?

Mr. RUNZLER. They can have a competitive advantage but to the best of my knowledge, there are no other companies affected by this marketing order.

Mr. MYERS. What is a U.S. No. 1 B? In size is it bigger than a walnut or—

Mr. RUNZLER. May I ask Mr. Giacomini to generally describe the regulations.

Mr. GIACOMINI. U.S. No. 1 B was known in the trade as an egg,

about an egg sized potato, which is not adequate in size, although it might be adequate in condition or quality to the fresh market. It used to be destroyed or used for cattle feed rather than for the processing that Pik-Nik employs.

Mr. MYERS. And in Mr. Runzler's statement he said there was no other market for this particular potato. Now that you are not buying or cannot, what is happening to those potatoes now, by the producer?

Mr. RUNZLER. Two things are happening to those particular size potatoes. In large measure they are being used as a cull type potato by a local starch plant in the area which is buying them for about 25 cents to the farmer and the farmer hauls them to the starch plant. Under the regulations for the 1968 crop pertaining to marketing order 947, some have been able to buy them. For example, the regulations for the 1968 crop permitted them to be purchased by freezers and canners of which we were considered not to be either, and some of those are being sold in that market. But generally speaking, they are just being dumped or sold for very little consideration at all.

Mr. MYERS. Well, now, you speculated a moment ago about the price and I think you took some figures off the top of your head. No doubt your company has gone into some projection. If you should have to go into marketing orders what would be the increase in the price?

Mr. RUNZLER. Well, we would rather provide those at a later time because I think that is a critical question you are asking and I would rather not give you an off-the-top-of-the-head answer to that question.

Mr. MYERS. Off the top of the head, you mean you have not done any figuring on it?

Mr. RUNZLER. We have some figures on it but I have not got those with me and I would rather——

Mr. MYERS. It is no accident that you did not bring this, was it?

Mr. RUNZLER. It was an accident, yes.

Mr. MYERS. I think I have heard enough. Thank you.

Mr. FOLEY. Thank you very much, Mr. Runzler.

The Chair would like to note the presence in the hearing room of the distinguished chairman of the full committee, Mr. Poage.

At this point, I think we may have to consider the possibility that we are not going to approach the end of the witness list by noon. The hearing will reconvene at 2 o'clock this afternoon under the chairmanship of Mr. Sisk of California. I regret that I am scheduled to be in New York this afternoon and will not be able to continue myself, and Mr. Sisk will continue. Is there anyone who would find it impossible to be here this afternoon? If not, we will proceed with some variance in the witness list. I am going to call on Mr. Ralph Harding, director of the Dehydrated Foods Industry Council. Mr. Harding is a former Member of the Congress and a distinguished former member of this committee. We are very happy to see you.

STATEMENT OF RALPH HARDING, DIRECTOR, DEHYDRATED FOODS INDUSTRY COUNCIL, EMERYVILLE, CALIF.

Mr. HARDING. Thank you, Mr. Chairman. Mr. Chairman and members of the committee, I wish to thank you for the opportunity I have of appearing before this committee in support of H.R. 11243, which

has been introduced by two of my former colleagues, Congressman Edwards and Congressman Gubser of California.

I was raised on a farm in Idaho and have been associated with Idaho farmers and their problems throughout my life. I served one term in the Idaho House of Representatives in 1955-56 and two terms in the U.S. Congress from 1961 through 1965. I am presently a vice president of the American Potato Co. with main offices in San Francisco, Calif., and processing plants in Blackfoot, Idaho, and Moses Lake, Wash. I am a director of the Dehydrated Foods Industry Council, and it is in this capacity that I appear here today to testify for S. 2214. Our executive secretary has polled the potato members of our council and found them to be unanimous in their support of this legislation.

It is our feeling that this legislation merely updates the historical exemption that canners of fruits and vegetables were granted from the original Marketing Order Act of 1937. We understand that when freezing had become a major factor in the preservation of fruits and vegetables that Congress in its wisdom extended to freezers of fruits and vegetables in 1946 the same exemption that had previously been enjoyed by the canners. The legislation that you are considering today will extend to dehydrators and other processors of potatoes the same exemption that is presently enjoyed by canners and freezers.

Mr. Chairman, we feel that this is good legislation and that its passage is necessary for dehydrators of potatoes to compete with canners and freezers on a fair and equitable basis. It has been suggested here today that this could be accomplished by removing the exemption which the canners and freezers currently enjoy. This would be a terrible mistake. As I understand it, the original reason for this legislation was to correct an injustice that was done to the Pik-Nik Co. of San Jose, Calif. which resulted in their plant being closed temporarily because of restrictions resulting from a potato marketing order which applied to Pik-Nik but did not apply to other shoestring manufacturers with whom they were competing because they purchased their potatoes in different sections of the country.

Therefore, the removal of the canning and freezing exemption would not correct this in any way. Further, it is important to understand that the potato marketing orders, where in existence, are regional. Many potato-producing areas do not have marketing orders. In other areas they are inactive and in those areas where they are in existence, they have different regulations and provisions.

Members of our association have no objection to potato marketing orders as long as they continue to operate as they have in the past and are applied only to potatoes for the fresh market. However, we are definitely opposed to marketing orders being applied to processors because this cannot help but give one processor an unfair advantage over another processor because of the difference in marketing order regulations in the many areas in which competing processing plants are located. Therefore, we feel this legislation is not just in the interests of Pik-Nik Co. but it is in the interest of all processors of potatoes, dehydrators, and potato chippers and anyone who utilizes potatoes. Now, I would like to add for the record a definition of other processing. The legislative history should make it clear that the term "other processing" is intended to refer to operations which commonly involve the application of heat or cold to such an extent that

the natural form or stability of the potato undergoes substantial change. And this is true in chipping, dehydrating, and the manufacturing of shoestrings.

Mr. Chairman, one other question I would like to answer that was raised by Mr. Hedlund earlier was that marketing orders are successful because they are employed by many areas of the country, and this is true, but there are many areas that have rejected marketing orders and that have caused their marketing orders to be inactive. Now, it is true that now we have an order in Idaho that we certainly have no quarrel with because it does not regulate the processors. There are attempts to change it to make it regulate the processors and that is why we feel this legislation is urgent. There is an order in Washington that has the authority to regulate the processors but does not. But in Maine their order is inactive and in North Dakota, and in Minnesota, and in the district of the gentleman from California, Mr. Sisk, marketing orders have been voted out. So, I do not want the impression to be left here that marketing orders are the salvation of the potato farmer. In areas such as Idaho where the farmers want them and use them, we certainly support their utilization to build the image of Idaho potatoes and to promote the quality of their product.

In conclusion, Mr. Chairman, one other thing I would like to make clear is although this has happened to Pik-Nik today, it can happen to any dehydrator tomorrow. For example, there is in Washington State, Pronto Foods Co., a dehydrator of potato flakes. In my home State of Idaho, Idaho Fresh-Pak dehydrates potato flakes, and in the Red River Valley, Pillsbury dehydrates potato flakes. If in any of these areas a marketing order is put into effect that says that one of these dehydrators cannot use field-run potatoes and must use U.S. No. 1 potatoes, they would find themselves in exactly the same position that Pik-Nik is in today. And I would like to further point out that this has been talked about here by Mr. Hedlund and others as a sweeping change which is not so, because the only area in which processors are being regulated as to what potatoes they can use today is in the Klamath Basin, and I would say that rather than help the producer, this regulation has hindered the producer's ability to market his crop.

I heard yesterday in an informal conversation with Mr. Lovins from the State of Washington that they had gone down to the Klamath Basin and purchased potatoes down there and shipped them to the State of Washington for freezing because they could buy them in the Klamath Basin cheaper than they could buy them in the Columbia Basin, and if we were to follow the suggestion of Mr. Hedlund and take away the exemption that freezers enjoy, then they would not have been able to do that.

Of all of the russet producers in the West, the Klamath Basin, because they regulate potatoes going to processors, this last year enjoyed the lowest return to their growers of any russet-producing area. Idaho, with freedom for their processors, had the highest. Washington, with freedom for their processors, had the next highest.

In Idaho when a farmer produces his crop, he can sell it on the fresh market, he can sell it to a freezer or a canner or to a dehydrator or to a chipper or to a shoestring manufacturer without regulation, and that is the same freedom that we are asking for all farmers and all processors nationwide. The same is applicable today in Washington but in the Klamath Basin these farmers can sell only on the fresh

market or to canners or to freezers as far as the processing grade or the size B portion of their crop is concerned. And if you were to follow the suggestion of Mr. Hedlund, they would not have even been able to sell to the freezer.

So, Mr. Chairman, I feel that this is good legislation and I would urge the committee to act favorably on it. I think it is important to the entire potato industry nationwide.

Thank you, Mr. Chairman.

Mr. FOLEY. Thank you, Mr. Harding.

Mrs. May?

Mrs. MAY. Mr. Harding, I gather that you do not agree with the Department's statement that this bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to the producers?

Mr. HARDING. I certainly do not. I think the best way to strengthen returns to producers is to allow them to have as broad an area as possible into which they can market their crop, and I think if the producer has the alternative of selling on the fresh market or to a canner or freezer or dehydrator or chipper or shoestring manufacturer on a bargaining basis without any restriction, that is how he is going to achieve the highest return for his crop.

Mrs. MAY. Thank you, Mr. Harding.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Just one question. As I pointed out to the previous witness, the chief objection apparently from the Department stems from the fact that the Pik-Nik people process their product and then can it. Is it not true that all dehydrated potatoes are first processed and then packaged?

Mr. HARDING. That is very true, and in the dehydration of potatoes, extreme heat is applied, and we have canned them and nitrogen packed them and we joined the National Canners and have been paying dues for about 8 years, the company I am associated with, in the hopes that some day we might be recognized as a canner if this thing ever got tough. But from a practical matter, if improved packaging comes along and we can put our product in a milk carton or maybe in a vacuum packed piece of cellophane, and we can pass on to the consumer considerable packaging savings, should we be denied the right to do that because of a strict definition of canning? And that is why I think the only fair and equitable thing to do is to exempt all potatoes for processing from marketing orders and put us all on the same basis.

Mr. GOODLING. I think this is a very serious aspect of the ruling from the Department. It includes one and not all, but it could eventually include your organization and might, conceivably force a lot of people out of business.

Mr. HARDING. It is very possible and I would predict if this legislation is not passed, that if the choice of the committee was to try and change the definition of canning to include Pik-Nik, that very shortly with marketing orders varying around the country, in the future you are going to be faced with dehydrators that are in exactly the same competitive crisis as Pik-Nik. There is going to be confusion and chaos in the industry. That is why I support this legislation.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. Mr. Harding, a moment ago the representative from Pik-Nik said that the U.S. No. 1 B potato now was being sold to the starch industry and that they were not being lost. Are you familiar if the sale is through a marketing order?

Mr. HARDING. Well, yes. In the marketing order area, and that is the discrimination, they can sell in the Klamath Basin marketing order area to processors in that area, and that includes for processing into starch without restriction.

Mr. MYERS. They are not excluded from the marketing agreement.

Mr. HARDING. They are excluded from the marketing agreement in the Klamath Basin.

Mr. MYERS. The starch industry presently buying the questionable potato here in the Klamath Basin is excluded from the present marketing agreement.

Mr. HARDING. That is right. And Pik-Nik would be excluded too, if they were in the Klamath Basin. If their plant was located in Oregon, they would not have this problem.

Mr. MYERS. You mean, they could have themselves excluded if they were in Oregon?

Mr. HARDING. If they were within the Klamath Basin marketing order area, right.

Mr. MYERS. Interstate commerce.

Mr. HARDING. No. The fact that the marketing order committee has provided that they cannot ship this size B No. 1 potato outside of the marketing order area.

Mr. MYERS. I guess we are going to have those marketing order people later, so I will ask the questions then.

Thank you.

Mr. FOLEY. Thank you very much, Mr. Harding. We appreciate your testimony.

I think perhaps to bring a little equity into the arrangement I am going to vary from the witness list and take some opponents of the legislation so as not to make all those who take the opposition stance wait until the late afternoon.

I will call now on Mr. Harry L. Graham, representing the National Farmers Organization.

I might say to all the witnesses that we are going to have some difficulty finishing even with an afternoon session. We have so far gone through only five witnesses in an hour and a half. Those witnesses who wish to will be able to place their statements in the record and to make appropriate extemporaneous remarks from their printed testimony.

Mr. Graham, it is always a pleasure to see you. I think all the subcommittee members know that Mr. Graham, the former distinguished representative of the National Grange, is now representing the National Farmers Organization. His experience and competence, I am sure, will serve the N.F.O. as well as they served the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL FARMERS ORGANIZATION

Mr. GRAHAM. Thank you.

Mr. Chairman, members of the committee, for the record, I am Harry L. Graham, legislative representative of the National Farmers Organization. The NFO is an organization, an association of farmers whose purpose and program is to block together enough of their production of any and all agricultural production that they can collectively bargain together for improved prices.

We are convinced that the ultimate victory in the perpetual battle for farm price is to be found in the use of the proven techniques of collective bargaining, but we are very much aware of the contribution which can be made by the proper use of the powers and the authority of the State and Federal Governments to maintain some stability in the highly volatile agricultural markets.

This is especially true in relationship to those markets where it is easy for the giant processing industries to bring unwarranted economic pressure on segments of the production and thereby destroy any possibility the farmers may have had to obtain a fair return for their production.

Certain commodities are particularly vulnerable because parts of their production are put to different uses. Oranges, apples, milk and potatoes fall within this category because they are used both in their natural state and for processing into forms which are partially or completely prepared for use.

Before the passage of the Agricultural Act of 1937, even when only a minor section of the production went into the processing uses, this was always priced at the so-called surplus prices which was almost invariably lower than the prices paid for the product when it was used in its original form. The net effect of this system was to drive the prices for all of the production of a given commodity down to the level paid for that which went into surplus or manufacturing usage.

The Agricultural Act of 1937 provided a method which could be used when desired to isolate the production which went into processing from that which was used in its original form. This was by using market orders, developed through a "hearing" process at which all segments of the industry was represented, including the general welfare, and which could be instituted only after a two-thirds majority of the producers approved of the projected order through a referendum.

Such market orders function by classifying the product according to usage, pricing it according to this use classification, and thus permitting that which goes into manufacturing usage to carry a different and lower price when the necessity for this is indicated in the evidence presented at the hearings.

Such orders can also be used to control grade and quality and to indicate the usages to which each can be put and to prohibit the use of some grades and quality which would not be in the general interest.

At the present time, about one-half of the potatoes being marketed in the United States are moving under either State or Federal market orders or both. Other areas have used market orders and have rejected them when they did not seem to answer the particular problems of their areas.

The NFO does not pretend to suggest that all of any commodity should come under a market order. In fact, we would not contend that any part of some commodities should be so ordered. What we do contend is that this method should be available when it is needed to solve the problems of disorderly marketing.

We recognize that there is a certain unfairness in the present law which excludes potatoes used for canning and freezing from the provisions of the order. However, the most obvious solution is to extend the provisions of the order to include these, and thus put all potatoes used for processing on an equal basis. This committee has been the necessity of eliminating some of the exclusions written into the original legislation, and we trust that the very desirable trend which we have witnessed during the past few years will continue.

May I insert into the record one paragraph that was part of the Department of Agriculture's statement in 1962 as it considered this legislation in its opposite application.

Recent history and present expectations indicate that the use of potatoes for canning and freezing will continue to expand because the expected expansion in the demand for canned and frozen potatoes, the effectiveness of a marketing agreement and order would be strengthened if authority were included to regulate the handler of potatoes for the purpose of canning and freezing as well as for fresh market consumption.

What we are saying here, and what this report in 1962 said, is that the elimination of all potatoes that are used for manufacturing purposes from an order would render virtually ineffective the order. The primary purpose of the marketing orders in the past, has been to regulate all of the commodity and it just makes as much sense to eliminate the potatoes used for manufacturing purposes as it would to eliminate all milk that was used for manufacturing purposes from the Federal milk marketing orders. There would then be no marketing order of any value whatsoever at that time.

The purpose of the marketing order is to take this production which is classed at a lower use classification and put it on the market in such an orderly fashion that this so-called surplus over the grade A demand does not destroy the market for the total crop. And this, of course, if the purpose of this bill was carried out, would be exactly what would happen.

We would also point out to the committee and to the agricultural producers that there is considerable evidence that the processing industry is using this potato bill as a test case. If they are successful in turning back the clock of economic legislation on this issue, they will return repeatedly with requests to eliminate from market orders all vegetables and fruits and dairy products now used for manufacturing purposes.

At a time when the producers of agricultural products are under terrific and increasing pressure from the so-called cost-price squeeze, farmers can ill afford to permit even one breach in their carefully developed marketing programs.

In this case the issue is clear as it comes before the Congress. Either the Congress takes the side of the farmers who are already extremely hard hit financially, or it takes the side of the processors in their eternal struggle to exploit the farmers. We do not fault them for trying to gain an extra economic advantage. The NFO is engaged all of the time in negotiating with them concerning the conditions of the sale

of agricultural commodities, including potatoes. We are not surprised by this move nor are we overwhelmed.

We are prepared to fight for adequate farm prices on every front which the processors choose. We are not unaware of their financial and political power. But we trust the fairness of the Congress which it has repeatedly demonstrated to not further upset the already unequal balance of power by ruling in favor of the concentrated economic might which does not consider either the welfare of the farmers or of the consuming public.

Mr. Chairman, may I make a couple of comments on some of the statements that have been made here this morning. We are very well aware of the concern for 30 workers in one processing plant but we point out to the committee that the action which is being suggested here will adversely affect 300,000 potato producers. There is this little matter of arithmetic which I think we ought to remember. The prices of the canned potatoes going up to 10 times the present prices as was mentioned by one of the witnesses, of course, is ridiculous. The cost of the raw product does not constitute that much of the total cost. We are all aware of that. I do not know what the cost of the raw product does include—how it breaks down in terms of potatoes used for processing—but some of the prices that they have been able to obtain these potatoes for indicate that there is very little relationship between the price that they pay for the potatoes and the price which they charge the consumers.

There was concern expressed about the wasting of the potatoes of the lower quality when the world is hungry. May we suggest to you that the use of potatoes for cattle feed is no more wasteful than the use of wheat that does not conform to the standards for milling for cattle feed. We are doing that all the time. This is nothing unusual at all.

If we used the original bill that was introduced by Congressman Johnson and Congressman Ullman in 1962, we would not be creating an unfair advantage to some processors who were not under the marketing orders. We would point out that there are also a number of situations in which producers are placed at an unfair advantage. Our friends in the industry who are faced with this, when they are talking to producers, are always quick to tell us if these fellows cannot compete they ought to get out. We are not going to be as rough on them as they are on us, but there is a certain amount of competition that can be carried on and we are sure that they are carrying it on at the present time.

The unfair advantage that the processors might have over other processors, I think, is more than offset by the unfair advantage that this bill would give the processors over the whole field of producers, and a very small number of processors, therefore, could have a great deal of adverse effect on some 300,000 producers.

The farmer has the right, we believe, and this is exercised through a marketing order, to decide not to sell that part of the production which he has which could destroy his other market. Now, this is the basic threat we are talking about, whether or not we should set up a system in which he is forced to sell that part of his production which would destroy his market or whether he has a right to not sell if it would destroy his market. We say he should not be forced to sell if it destroys his market and I think this is what was underlying the think-

ing of the Congress at the time it passed this act in 1937 and as it has repeatedly amended the act in the days that have gone by since that time.

Mr. Chairman, members of the committee, we have had some experience with this committee before and we are not unaware of the great contribution it has made to the welfare of agriculture in the areas in which it has had a responsibility, in the areas in which it is concerned, and we are not particularly worried that you are going to change the trend of Congress in the last few years to expand the market orders to bring more commodities and more of the different commodities under market orders rather than to go in the other direction. We would suggest that as an alternative, of course, we use the bill that was introduced by Mr. Johnson and Mr. Ullman back in 1962.

The language of the bill is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended as follows:

Section 8c(2) is amended (a) by inserting before "grapefruit", where it first appears "potatoes", and (b) by striking out "asparagus," and inserting in lieu thereof "asparagus and potatoes".

We submit this for the consideration of the committee as they are trying to determine the issue which is clearly drawn between these two completely opposite positions, one on the part of the processors, the other on the part of the producers. We do not envy you the necessity of playing Solomon in cases like this but this is the responsibility which you assume and we are also assuming that you will discharge it with your usual good sense.

Mr. FOLEY. Thank you very much, Mr. Graham. Always a pleasure to have you appear before the committee.

Mr. Sisk?

Mr. SISK. Mr. Chairman, I commend the witness on his defense of marketing orders and the good they have done.

I have no questions, Mr. Chairman.

Mr. FOLEY. Mrs. May?

Mrs. MAY. I have no questions.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. GOODLING. No questions.

Mr. FOLEY. Thank you very much, Mr. Graham. We appreciate your testimony.

We revert to the regular order of the witness list and will call now on Mr. Francis X. Rice, president of the Potato Chip Institute International, Hanover, Pa. Mr. Rice.

I note that Mr. Rice is a distinguished constituent of a member of this committee, Mr. Goodling, and I will yield to the gentleman from Pennsylvania.

Mr. GOODLING. Mr. Chairman, if I may say just a word before Mr. Rice proceeds, we are happy to have you here before this committee, Mr. Rice, and I want to point out to this committee that he does represent a very big and responsible industry in my area, along with other chip people. I trust this committee will not do anything that is going to ruin a perfectly good industry at this time.

Mr. SISK (now presiding). Thank you, Mr. Goodling.

Mr. Rice, you may proceed.

STATEMENT OF FRANCIS X. RICE, PRESIDENT OF THE POTATO CHIP INSTITUTE INTERNATIONAL, HANOVER, PA.; ACCOMPANIED BY MELVILLE EHRLICH, ATTORNEY

Mr. RICE. Thank you, Mr. Chairman, Mr. Goodling.

Mr. Chairman, committee members, my name is Francis X. Rice and I am the president and treasurer of the Utz Potato Chip Co., Inc., of Hanover, Pa.

I am the president of the Potato Chip Institute International on whose behalf I am making this statement, to submit its views with respect to H.R. 11243. This is a bill to exempt potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937, as amended.

The Potato Chip Institute International is a trade association of manufacturers of potato chips and includes in its membership the producers of approximately 90 to 95 percent of the entire production of potato chips in this country.

The importance of the potato chip industry in the use of potatoes is demonstrated by the Irish potato utilization report issued September 10, 1968 by the statistical reporting service of the United States Department of Agriculture, which shows that in the fiscal year July 1, 1967 to June 30, 1968, potato chips used 32,454,000 hundredweight of potatoes.

Under these circumstances, no argument is necessary to demonstrate that the potato chip industry constitutes a large and important outlet to growers for their potato crops.

The potato chip industry competes with dehydrators, freezers, and to some extent with canners and other processors in purchasing potatoes from growers. As the law now stands, potatoes for canning and freezing are exempt from marketing order controls, but potatoes for chipping and other processing are not exempt. This is discriminatory against potato chip manufacturers and processors other than canners and freezers.

Under marketing orders, sizes which chippers can buy may be restricted, without such restrictions being applicable to canners and freezers. Size restrictions are unduly burdensome. Potato chips, particularly for the smaller packages, may be made from potatoes as small as 1½ inches in diameter. In fact, for small packages such as those that go in a school child's lunchbox, chips made from the smaller potatoes are more practical and desirable. Assuming the potatoes to be of equal quality in their raw state, the smaller potato will make just as good potato chips as the larger potato. But size restrictions under a marketing order may prevent these smaller potatoes from being available.

Further, under marketing orders, incoming raw potatoes purchased by chippers will be subjected to compulsory inspection. This causes undue delays in shipments since chip suppliers are frequently not in concentrated production areas and the availability of inspectors is somewhat uncertain.

Inspection serves little or no purpose as far as potatoes for chips are concerned. Size may be determined by inspection, but as already pointed out, potatoes as small as 1½ inches should be permitted to be used. Inspection for quality is essentially meaningless. The appear-

ance of the potato is completely unimportant for chipping, although it might be important for potatoes for table use. Quality for chipping cannot be determined by visual inspection, since quality for chipping is largely dependent on storage conditions and storage temperatures, rather than on any condition visually apparent.

Further, it is quite apparent that increased costs to shippers may well have to be passed on to consumers. Costs of the control of potatoes for chipping, costs of delays and inspections and possible increases in cost due to prohibition of the use of certain sizes, might necessitate increased prices to consumers.

Therefore, because of the fact that the proposed legislation removes the discrimination between chippers on the one hand and canners and freezers on the other and for the reasons already stated, the Potato Chip Institute International supports the proposed amendment.

Mr. SISK. Thank you, Mr. Rice, for your statement. The gentleman accompanying you, does he have a statement?

Mr. EHRLICH. No, thank you, Mr. Chairman. I might make just one comment.

Mr. SISK. Will you identify yourself by giving your name?

Mr. EHRLICH. Mr. Melville Ehrlich, counsel, Potato Chip Institute International.

I just want to correct one impression that we were talking about, some 200-odd thousand affected potato growers. I think Mr. Hedlund would agree, as the hearings brought out some years ago, there are only about 22,000 growers that grow 95 percent of the potatoes in the country and most of the hundreds of thousands that we hear of are the little half acre or family plots that really have no place in this picture in any way.

Mr. SISK. Thank you for that comment.

Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. The gentleman from Pennsylvania, Mr. Goodling.

Mr. GOODLING. Just one comment, Mr. Chairman. As I pointed out, when a former witness testified, size of potato does not necessarily have anything to do with quality. I have been associated with fruit growing practically all my life and when I personally want to eat an apple, I go to my storage and get a 2½-inch apple rather than a 3½-inch apple, and the same thing is true in potatoes. Size does not necessarily have anything to do with the quality. I think you brought that out very plainly here and I think it should be stressed.

I think we should also restate the fact that the chip industry is using 32,454,000 hundredweight of potatoes annually and that is a lot of potatoes.

Do you by any chance have any figures as to how many potatoes are consumed right in our county by the chip people?

Mr. RICE. No, not really any actual factual figures, although it is an awful lot of potatoes growing there, and I would say that 90 percent of them do go into the processing of potato chips because there are very few of them that go on to the fresh market.

Mr. GOODLING. Is it not also true that in our area, and you spoke of lack of inspection, is it not also true that many of the farmers dig their potatoes, put them on their own truck, deliver them to you, and dump them into your bin?

Mr. RICE. That is right. We agreed to return potatoes that are not of quality to the farmers but we grade these potatoes right at our plant, and most of the processors in the area do the same thing and this is quite a saving to the farmer because really a lot of them are not big hundred acre growers but there are a lot of them that are 30, 40, 50, 60, and so on, acres of potatoes grown by these individuals. It would be a hardship on these farmers to have to retain potatoes of size under two inches. Frankly, in our area I do not know what they would ever do with them.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. SISK. Mr. Rice, I would like to ask one quick question. Approximately what were your costs during the past year on the type of potato you are discussing—this 1 $\frac{5}{8}$ -inch potato? Per hundredweight, what are you paying for that kind of potato on the present day market?

Mr. RICE. This varies widely.

Mr. SISK. I recognize it would but in your area what are you paying?

Mr. RICE. In purchasing in our own particular area, the average price of—we buy them field run really. We do not buy just inch and five-eighth potato. We buy anything from there on up and our average price will run \$2.25 to \$2.50 per hundred.

Mr. SISK. \$2.25 to \$2.50 per hundredweight is the average price you have been paying?

Mr. RICE. Right.

Mr. SISK. For comparison, do you know offhand what the grower has been receiving for the No. 1 grade size A in the fresh market?

Mr. RICE. Well, actually, this price would almost hold true for the fresh market in our area also. He would not receive any more. We pay top market price, really.

Mr. SISK. In other words, in your area, there is really no differential.

Mr. RICE. No.

Mr. SISK. Is that because you are buying a field run?

Mr. RICE. Right.

Mr. SISK. All sizes.

Mr. RICE. Right.

Mr. SISK. Thank you very much for your testimony.

In view of the fact that it is now 12 o'clock, the committee will stand in recess until 2 o'clock this afternoon at which time we hope to hear the balance of the witnesses.

(Whereupon, at 12 noon, the subcommittee was recessed, to reconvene at 2 p.m., this day.)

AFTERNOON SESSION

Mr. SISK. The committee will come to order.

We are delaying temporarily. We do have another member or two on their way, and I am sure they will be here shortly.

During the consideration of the bill this morning, a question was raised regarding prices paid for various types of potatoes. At this time I would like to recall Mr. Runzler to the stand.

I understand you now have some figures with reference to that question, Mr. Runzler, so if you would come forward and give us those figures just for the record, we would appreciate it.

STATEMENT OF FRANK RUNZLER, GENERAL MANAGER, PIK-NIK
FOODS, SAN JOSE, CALIF.; ACCOMPANIED BY ANTHONY GIACO-
MINI, ATTORNEY—Resumed

Mr. RUNZLER. I believe the question was how much would you have paid for U.S. No. 1-A size potatoes from the Klamath Basin area this past winter? Is this correct?

Mr. SISK. That is right. Since we were discussing the Klamath area I thought we could get a comparison of the relative prices you would have to pay for the class A size as against the type of potato that you normally would be buying.

Mr. RUNZLER. Mr. Giacomini called our broker who is our supplier in San Francisco and the price that we would have had to pay was \$4.45 a hundredweight delivered into San Jose.

Mr. SISK. That is for A size potatoes?

Mr. RUNZLER. One hundred pound sack of A size potatoes.

Mr. SISK. That was your price delivered. You do not have the exact price that was actually paid to the grower.

Mr. RUNZLER. No, sir; I don't.

Mr. SISK. Now, what were you paying or what would you have been paying for the B size?

Mr. RUNZLER. In previous years during the winter months our prices ranged delivered in San Jose \$1.60 to \$1.85 a hundredweight.

Mr. SISK. And again you are not aware of actually what the grower received in the field for that B grade?

Mr. RUNZLER. No, sir. We buy them all on a delivered basis.

Mr. SISK. Later we will have grower witnesses who probably can give us an estimate. In other words, then, the figure is \$4.45 for the A size.

Mr. RUNZLER. \$4.45.

Mr. SISK. Which would have been the price you would have had to pay during this last year.

Mr. RUNZLER. Yes.

Mr. SISK. You wouldn't by any chance have those relative figures for the year before, 1967, as a comparison?

Mr. RUNZLER. On the A size?

Mr. SISK. Yes.

Mr. RUNZLER. No, sir.

Mr. SISK. I know, of course, these prices on potatoes do vary from year to year depending, of course, on the quantity produced and the amount of surplus.

All right. Thank you.

Mr. MYERS. Mr. Chairman, would you yield?

Mr. SISK. Yes.

Mr. MYERS. I got into this just as you were giving us this information. As I understand, this year would have been \$4.45 per hundredweight for A, U.S. No. 1A.

Mr. RUNZLER. Yes, sir.

Mr. MYERS. And in 1967 you say that you were paying \$1.60 to \$1.85 for U.S. No. 1B.

Mr. RUNZLER. Yes.

Mr. MYERS. What was the comparable price in 1967 for U.S. No. 1A?

Mr. RUNZLER. I do not know.

Mr. MYERS. This doesn't tell us a whole lot. To me it doesn't.

Another thing, how much would this affect your price of the can of shoestring potatoes that you are selling? You show a triple here but this isn't really relative, I don't think.

Mr. RUNZLER. What would this \$4.45 price do to what I would have to charge? Is that the question?

Mr. MYERS. Yes. That is my question.

Mr. RUNZLER. Well, we got the price for you now, sir. As the price goes up, \$1 a hundredweight increase on price, on raw product, increases my case cost by 30 cents a case. In other words, if I went from \$1.60 to \$4.45—this is approximately \$3, not quite—this would increase my cost approximately \$1.

Mr. MYERS. A case of 24 cans, a cent and a quarter a can, increase in your cost.

Mr. RUNZLER. That is right.

Mr. SISK. If the gentleman will yield—did you say a cent and a quarter a can?

Mr. MYERS. 30 cents per case.

Mr. RUNZLER. Excuse me. It is—on a dollar increase it is 30 cents a case, so on a \$3 increase, it would be 90 cents a case.

Mr. MYERS. But you are talking about two different rates here. You are getting B's this year and A's, is this right, or B's 2 years and A's this year.

Mr. RUNZLER. We never purchased any A's. We couldn't afford to.

Mr. MYERS. The \$4.45 then this year would be your price for No. 1B.

Mr. RUNZLER. A. B's are not available. That is why I am here.

Mr. SISK. They cannot purchase B's this year under the ruling.

Mr. MYERS. You were buying No. B's in 1967 for \$1.60, \$1.65.

Mr. RUNZLER. Yes, sir.

Mr. MYERS. I don't think your prices are comparable. They don't tell me much anyway. You are talking about cats and dogs.

Mr. RUNZLER. I cannot afford to pay—with \$2.50 a hundredweight cost I break even.

Mr. MYERS. May I ask one more question?

Mr. SISK. Yes. Go right ahead.

Mr. MYERS. This morning I asked you folks about the B's and you said they went to the starch market. Were there any B's sold within the marketing area, the marketing order areas, this year?

Mr. RUNZLER. I believe there were some sales to the starch plant in Klamath Basin area.

Mr. MYERS. But you don't know what price.

Mr. RUNZLER. No, sir; I do not.

Mr. MYERS. And they were through marketing orders, through marketing agreements.

Mr. RUNZLER. A processing plant located within the area affected by the marketing order is not subjected, and that is why they could use that.

Mr. MYERS. Regardless of whether it is a canner or a freezer. It makes no difference.

Mr. RUNZLER. If it is a processor, he can purchase it.

Mr. SISK. The gentleman from Tennessee?

Mr. JONES. No.

Mr. SISK. Mr. Runzler, thank you very much for your statement. I am inclined to agree that we would have had a better picture if we had figures for the 2 years. I recognize the problem here. We are

quoting actually grade A potatoes, size A, in 1968, which I understand was substantially higher than in 1967. Is that generally true?

Mr. RUNZLER. Yes, I believe it is.

Mr. SISK. So it is a little difficult to judge. As we get some of these growers on here, we are interested in actually what the grower is receiving. Maybe we can further define these figures.

Thank you, Mr. Runzler, very much for obtaining this information for us.

Mr. RUNZLER. Thank you.

SUPPLEMENTAL STATEMENT OF FRANK RUNZLER, GENERAL MANAGER, PIK-NIK FOODS, SAN JOSE, CALIF.

To further inform this Sub-Committee, I present the following facts in addition to my oral testimony at the hearings held on June 9, 1969:

1. Average estimated net payments to farmers for US No. 1 B size Russet potatoes from the Klamath Basin for canning and freezing use (as distinguished from cow-feed or starch use) from the 1967 crop were 25 cents to 40 cents cwt. The net prices paid these farmers for Russet type potatoes for the same use from the 1968 crop ranged from 35 cents to 60 cents cwt. These payments resulted in 1967 average delivered prices to San Jose, California of \$1.60 to \$1.85 cwt. Projected delivered prices to San Jose, California for these same potatoes from the 1968 crop would have been \$1.60 to \$2.05 cwt.

2. Average prices paid to Klamath Basin farmers for US No. 1 A size Russet potatoes from the 1967 crop were \$1.76 cwt. as compared to \$3.25 cwt. for the 1968 crop potatoes. With a break-even point of \$2.50 cwt. delivered cost to PIK-NIK CO. in San Jose, California we could not have purchased this size of Russet potato because 1967 costs would have been at least \$2.62 cwt. Average and projected average costs for the 1968 crop would have been a low of \$4.07 cwt., with a high of \$4.67 cwt.

3. The potatoes used by PIK-NIK CO. must be of a suitable composition possessing good cooking quality in the trade sense (not in the housewife's sense). This cooking quality is determined by the composition and type of potato—not its appearance nor grade except, of course, rot must not be present. For our specific business a Russet type potato is essential. Our requirements of a US No. 1 B size are based solely upon price. As the size of the potato goes up, the price increases. So, also, do the brokerage costs because more outlay by the broker is required involving larger expenditures and greater interest factors. Brokerage cost for US No. 1 B size potato is 10 cents per cwt., while the same cost for US No. 1 A potato is 20 cents per cwt. Loss factors are 5 cents per cwt., average freight of 45 cents per cwt., and bag costs for used bags of 12 cents per cwt. bag remain the same regardless of the size of the potato.

4. Our sources for the above information are as follows:

(a) Farmer prices for US No. 1 B size potatoes: Cecil Ullom, Statistician, Statistical Reporting Service; U.S. Department of Agriculture, Portland, Oregon (unpublished data including cull sales); Wesley McKaig, Handler Member, Oregon-California Potato Committee; Cecil Cheyne, President, Klamath Potato Distributors, Inc.

(b) Farmer prices for Klamath Basin US No. 1 A potatoes: Cecil Ullom, Statistician, Statistical Reporting Service.

(c) Delivered prices for US No. 1 A's and brokerage costs: George L. Burger, Potato Broker, 52 Valajo Street, San Francisco, California.

Mr. SISK. At this time the committee will be glad to hear from Mr. Leon Jones, president of the Potato Granule Association, San Francisco.

Mr. Jones?

STATEMENT OF LEON JONES, PRESIDENT, POTATO GRANULE ASSOCIATION, SAN FRANCISCO, CALIF.

Mr. JONES. My name is Leon Jones and I am here today to testify in behalf of the Potato Granule Association, I am president of the

association and our membership comprises 100 percent of the potato granule manufacturers in the United States.

My home is in Caldwell, Idaho, where I am president of the Food Products Division of the J. R. Simplot Co., I have been associated with the J. R. Simplot Co. since 1942 and have been active in the growth of the potato processing industry since that time. I have served as president of the National Association of Frozen Food Packers and on two occasions as president of the Northwest Cannery & Freezers. I have also served as a director of the National Cannery Association. In addition, I was one of the founders and have served three times as president of the Frozen Potato Products Institute.

I am here today to testify in support of H.R. 11243. I know that this legislation is in the best interest of the entire potato industry. This includes potato growers, potato processors, people who work in potato processing plants, as well as the consumers of our finished products. This legislation will expand the exemption from marketing orders to exempt all processors of potatoes. This is the same exemption that is presently enjoyed by freezers of potatoes. I feel that one of the reasons that the frozen potato industry has achieved the great growth and success that it enjoys today is because we have not been restricted and controlled by unworkable marketing orders. Frozen french fry plants are located in all the major potato-producing areas of the United States. The varieties and grades of potatoes in these different production areas vary widely and as a result the prices paid for potatoes also are subject to considerable variation. Therefore, it is impossible to have a marketing order controlling potatoes going to the freezers in one area that would not place the freezers in another area in either a more favorable or a less favorable raw material position. This is why freezers of potatoes have been exempt from marketing orders. As a result of this exemption, not only the freezers, but also the growers of potatoes for freezing have benefited.

However, Mr. Chairman, dehydration is not exempt from marketing orders, and, therefore, the same discrimination that occurred in the potato shoestring industry in which one shoestring manufacturer was placed in an impossible competitive situation by being subject to restrictions that did not apply to their competitors could happen in the potato dehydration industry. It is true that to date there have been no marketing orders applied to dehydration. We merely want to be sure that we will have the freedom in the future to produce potato granules as we have in the past without unnatural and artificial restriction that would create chaos in our industry.

Therefore, Mr. Chairman, the Potato Granule Association strongly urges the passage of H.R. 11243 which is supported unanimously by our members.

Thank you.

Mr. SISK. Thank you, Mr. Jones, for your statement.

The gentleman from Tennessee?

Mr. JONES. No questions.

Mr. SISK. The gentleman from Indiana?

Mr. MYERS. No questions.

Mr. SISK. Regarding pricing, how broadly has the fluctuation been during the past 10 years? I understand you have had vast experience in potato growing, potato buying, and in both the freezing and de-

hydration process. To what extent has your market from the standpoint of purchases fluctuated during the past 10 years?

For example, what is a high that you have had to pay for processing us as against a low that you have paid in the past 10 years?

Mr. JONES. It would run from about 80 cents a hundredweight to about \$5.80.

Mr. SISK. It has been that wide a fluctuation.

Mr. JONES. That is right.

Mr. SISK. The reason that—

Mr. JONES. That is on a field run basis.

Mr. SISK. The whole purpose of marketing orders is to stabilize pricing. The grower's costs in the last 10 years of production have consistently gone up. Labor has gone up. Taxes have gone up. The cost of machinery has gone up. So how can the grower exist under that kind of a situation? I take it from your statement you feel that marketing orders are not necessary or maybe not too favorable to your particular processing industry. I bring this out to indicate the reasons why marketing orders are made available to growers in the first place to control the very fluctuation that you have indicated.

Mr. JONES. I certainly don't mean to indicate that I am not in favor of marketing orders. I think they have been a great benefit to the producer and especially in the marketing of the fresh potatoes to the market.

However, we are having a very wide swing from the consumption of potatoes in the past whereby the consumption of potatoes per capita was on a steady decline until the advent of a successful processing industry for the potato—in the potato industry whereby we were marketing good, acceptable product at a price that the consumer can afford.

Mr. SISK. I certainly agree. Earlier testimony indicated that we had gone from somewhere below 15 percent of total potatoes that were actually processed in one form or another to 42 percent or higher. Actually we are approaching a time when more than half of the potatoes grown are going to be processed in one form or another; isn't that correct?

Mr. JONES. That is correct.

Mr. SISK. That fact will be of concern to the committee in its consideration of whether or not we continue to justify exemptions from marketing orders. Especially if these orders are going to serve any purpose of stabilizing the price to growers. As more and more potatoes are processed a larger percentage of all potatoes produced in the United States falls in that category. Therefore is there or can there be any workable or operable marketing order that would be anything to the grower if it continues to provide exemptions? Do you follow the reasoning?

Mr. JONES. I follow the reasoning. My answer to that would be this, that I think again we could use a little history but even with our own industry at the present time, the present method of bargaining, of contracting that we are doing, advance contracting with the grower, is going a long way toward taking care of this up and down in the potato market.

We in the processing industry, of course, do not like these wide fluctuations and through the years—as the amount of processing of the potato crop increases, these dips and peaks tend to level out, and it is

being done through the advanced contracting the same as it is in other food processing whereby the bulkier crops are precontracted.

Mr. SISK. Thank you, Mr. Jones, for your statement. We are very happy that our colleague from Washington, Congresswoman May, is here and I believe she has a constituent next on our list.

Mr. Oliver Lovins, if you will come up, I will be glad to yield to the gentlewoman from Washington.

Mrs. MAY. I had just a quick glimpse of Mr. Lovins this morning. We are glad to welcome you to the subcommittee.

Mr. SISK. You may proceed, Mr. Lovins.

STATEMENT OF OLIVER LOVINS, DIRECTOR, WASHINGTON POTATO ASSOCIATION, MOSES LAKE, WASH.

Mr. LOVINS. My name is Oliver Lovins and I reside at 831 South Evergreen Drive, Moses Lake, Wash. I wish to thank the committee for the privilege of appearing today and presenting my testimony.

I have lived in the Columbia Basin for 14 years, and have witnessed the growth and development of the potato industry in our great State during this period of time from the standpoint of grower, fresh shipper, and processor interests. I have been in the potato business for 25 years.

I am the official representative in this matter for the Washington Potato Association, whose address is Building 2321, Andrews Street, Grant County Airport, Moses Lake, Wash.

The Washington Potato Association is a voluntary nonprofit corporation operating in the State of Washington for the mutual benefit of its members and the industry. The membership is composed of the great majority of the fresh shippers and processors in the State of Washington, and particularly the Columbia Basin area. Attached to this testimony is a list of the voting membership of the association.

(The list referred to follows:)

WASHINGTON STATE POTATO ASSOCIATION MEMBERSHIP LIST

American Potato Company	Lovins Produce, Inc.
Anderson Feed & Produce Co.	McGeorge Produce Co.
Andrus-Roberts Produce Co.	Monjonner & Sons, Inc.
Baker Produce Co.	Norman W. Nelson, Inc.
Balcom & Moe	Pacific Fruit & Produce Co.
Basin Produce	Pomme de Terre, Inc.
Better Taters	Pronto Pacific, Inc.
Blue Ribbon Produce Co.	Quality Growers, Inc.
Bonanza Produce Co.	Quincy Produce Co., Inc.
Chef Reddy Foods, Inc.	R. E. Lewis
Elmer Hansen	Skone & Connors
Forney Fruit & Produce Co.	Spada Distributing Co.
Franklin Growers, Inc.	Sunglor Producers
General Potato & Onion Distributors	Sunspiced, Inc.
Gerry Dodge	Taggares Produce Co.
Golden Produce	Walla Walla Gardeners Association
Gordon Bedlington	Walla Walla Produce Co.
Harry Masto Produce	Western Cold Storage Co.
Lamb-Weston of Washington	Yoshino-Western, Inc.
Livingston Produce Co.	

Many of the fresh shippers and processors are also large growers in the industry.

In the 1968 crop year, Washington produced 24,173,000 hundred-weight of potatoes, according to Government estimates, and 74 percent of this production was handled by members of this association.

This association gives its support to legislation to extend to the potato dehydration and chipping industries the same exemptions under the Agricultural Marketing Agreement Act of 1937, as amended, as is now enjoyed by freezers and canners in our industry. We feel that discrimination now exists against the potato dehydration and chipping industries, and can endanger the welfare of those industries. The financial interests of the growers, fresh shippers, and processors can best be safeguarded and enhanced by allowing the potato dehydration and chipping industries the same exemptions as exist for freezing and canning.

We feel it is in the best interests of the consumers of America to be able to buy good wholesome potato products at reasonable prices. Placing restrictions on the potato dehydration and chipping industries will not accomplish this end.

If the potato processing industry is allowed to operate in a free enterprise climate, it will develop new wholesome food products, find new markets, and expand the economic benefits of the industry to the consumers, growers, shippers, and processors alike.

Mr. Chairman, I would like to add something. I have been in the potato business all my life, first as a grower and then a shipper, and we in Washington are in a unique position. We are a long way from Washington. When we meet the quality of our marketing agreements, we in turn have to give either 50 or 30 percent of our potatoes away and we can't make it growing, merchandising 50 percent of our crop. And that is what put me in the processing business.

We had to give our growers much better income by processing this grade of potatoes.

Thank you.

Mr. SISK. Thank you, Mr. Lovins, for your statement.

The Chair will be glad to recognize the gentlewoman from Washington.

Mrs. MAY. Mr. Lovins, if the Pik-Nik Co., which has really been—their situation has been the catalyst for bringing about this bill before the committee—if they had been operating or buying in our Columbia Basin area, do you anticipate that there would have ever been any chance of our marketing order bringing them in under the restrictions that were comparable to the marketing order brought into being in Klamath?

Mr. LOVINS. Our marketing order in Washington wouldn't have stopped them. No. They could have bought in Washington.

Mrs. MAY. Do you think, as I do, the more I hear about this case, that perhaps this area of Oregon made a very great mistake in activating the rules and regulations of this marketing order?

Mr. LOVINS. I believe they did. I think the growers' interest is their return per acre, and if you have to withhold or, I mean, if you have to get back to Washington, it costs you 35 cents to handle these standard potatoes. You get 25 cents from the starch plant, so you lose a dime on those which have to come off the top or come out of what you do market, and for several years I don't see how you could market

50 percent of your crop when you have the extent of 100 percent and be financially sound.

Mrs. MAY. Do you agree with statements that you have heard made this morning, that if the bill under the present wording would fully exempt processors, that all possibilities of an effective marketing order for potatoes would be jeopardized? Could you speak to that a little more?

Mr. LOVINS. No. As far as the fresh operation goes, I don't think it would have any bearing.

Mrs. MAY. Of course, the point is that more and more of our potatoes are going into the processing to meet the demand for more popular potato items.

Mr. LOVINS. It is becoming more that way every year, in the dehydration and I think the frozen.

Mrs. MAY. Perhaps based on that fact, the effectiveness of marketing orders could be jeopardized in the future because there would be less and less possibility of a majority of potato production being subject to marketing orders. Is that correct?

Mr. LOVINS. I would say so. I think possibly—I know in our area we negotiate with the growers' associations just like we do with organized labor. We reach an equitable price that they are happy with and what we can afford to pay, and that is our agreement, and we take in a field run potato.

Mrs. MAY. That is all, Mr. Chairman.

Mr. SISK. Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Mr. LOVINS, in your association, the Washington Potato Association, are there any producers in this association at all?

Mr. LOVINS. Yes. A producer—what we call grower-shippers. That is people that grow and fresh-pack their own merchandise and in turn sell the processor below, we will say, standard marketing order—below marketing order standards to the processors.

Mr. MYERS. Below marketing order standards.

Mr. LOVINS. Yes. In other words, they sell their 2-inch B's to the processor and down to U.S. No. 2.

Mr. MYERS. But there are now—if I understand your answer correctly, then, there are no producers who just grow potatoes and sell them on the farm to a commission house or something like that. No one who just solely is a producer and not also a processor that belongs to your association.

Mr. LOVINS. Not in this association. However, I did bring back a list of growers that had signed for this bill and this was picked up in a very short time. I think there are around 70 growers—it will be in the record—picked up in a matter of 3 or 4 hours in our locality.

Mrs. MAY. Would the gentleman yield just a moment? I think Mr. Lovins ought to know my office has been deluged with telegrams and letters against the bill in the last 5 days. I am not sure whom they are coming from. I know from the growers, but I don't know how fully expressive this is of that particular growing area.

Mr. LOVINS. I think you will find that every one that was on this list that we brought back is a grower.

Mr. MYERS. I see we have one here this afternoon from Washington,

a Mrs. Voss. I don't know her position, but I was interested—you did represent processors.

Let me ask you, are you a party to the agreements, to the marketing orders for the processors in Washington?

Mr. LOVINS. What do you mean?

Mr. MYERS. Any of these agreements—are you a voting member as a processor or because you also produce?

Mr. LOVINS. As I am a grower I am a voting member.

Mr. MYERS. But not as a processor.

Mr. LOVINS. No.

Mr. MYERS. That is all. Thank you.

Mr. SISK. Thank you, Mr. Lovins.

The next witness is Mr. Reed Hunter, potato grower and shipper, Lewisville, Idaho.

You may proceed, Mr. Hunter.

STATEMENT OF REED HUNTER, POTATO GROWER AND SHIPPER, LEWISVILLE, IDAHO

Mr. HUNTER. Thank you, Mr. Chairman and members of the committee. My name is Reed Hunter. I am a potato grower and shipper from Lewisville, Idaho. I am here to support H.R. 11243.

Last year my brother and I raised over 1,000 acres of potatoes in the Lewisville and Osgood area. We sold potatoes to R. T. French, American Potato Co., Simplot, Rogers Bros., and Idaho Fresh-Pak for processing. The balance, which was less than 10 percent of the crop, we packed and shipped on the fresh potato market.

That portion of my crop that was sold on the fresh market was sold under the grade and size regulation of the Idaho Malheur County marketing order. I support the continuation of a marketing order for fresh potatoes. I feel it is necessary to promote quality and, as a result, premium price for Idaho potatoes.

However, for the portion of my crop that I sell to the processors, I do not want to be restricted or penalized by any regulations that do not apply to potato growers or processors in other areas.

I urge you and the members of this committee to support this legislation that will guarantee that all processors will be on an equal competitive basis, and the processors who buy my potatoes will not be faced with restrictions that do not apply to processors in other areas.

I feel the passage of this legislation will accomplish this and is, therefore, in my best interest as a potato grower.

I appreciate this opportunity to testify at this time.

Mr. SISK. Thank you, Mr. Hunter.

The gentleman from Tennessee?

Mr. JONES. No questions.

Mr. SISK. The gentlewoman from Washington?

Mrs. MAY. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. Yes, Mr. Chairman.

Ten percent of your crop went under marketing orders; is that right?

Mr. HUNTER. Yes.

Mr. MYERS. Would I be correct in assuming that 90 percent did not measure up to the standards of the marketing agreement?

Mr. HUNTER. No, sir.

Mr. MYERS. Then you could have other potatoes that you could have sold on the fresh market under marketing orders.

Mr. HUNTER. I could have, but I sold to the processors because of the price.

Mr. MYERS. You got a better price from the processor who did not come under the agreement, the marketing order?

Mr. HUNTER. Yes, sir.

Mr. MYERS. That is all.

Mr. SISK. Just one question, Mr. Hunter. One of the concerns over the present regulations is an unfair competitive situation in the coverage of certain types of processors.

Mr. HUNTER. Right.

Mr. SISK. There are two ways to solve that. We can solve it in the direction this bill proposes to go or we can solve it by going the other way and eliminating all exemptions.

Mr. HUNTER. Right.

Mr. SISK. In either case, as far as the processor is concerned, it would become a fair competitive situation; would it not?

Mr. HUNTER. Let me explain one thing. The one reason I would like the processors not restricted is because some years it is virtually impossible to raise a good crop of quality. In other words, if I tried to sell them on the fresh market, I would really be hurt, because there would be so few good choice No. 1's in the crop.

Now, that is due possibly to weather conditions mostly. It might even be due to a bad frost just before harvest. So you might say the processors come in and really help me out and if I had to meet a grade raw with those potatoes, I would get practically nothing for them. But as long as I am able to sell both ways, one within the marketing order fresh and raise good ones, which I would like to do—I would like to raise all No. 1's, if I could possibly do it—we try very hard to do that but sometimes due to weather conditions it is very difficult to accomplish that.

Mr. SISK. I would assume if Congress had some time and in its wisdom decided to eliminate all exemptions, there would probably be provisions to handle the varying grades of potatoes that sell at varying prices. Certainly we would not put a single price on everything.

Mr. Hunter, I appreciate very much your comments.

Mr. MYERS. Mr. Chairman, could I ask one more question?

Why did you sell 10 percent fresh if you got a better price out of the processors? Why not sell them all to the processors?

Mr. HUNTER. Well, we unfortunately got a hurry on the fresh and sold them before we wised up to the fact that the processors would pay us more money.

Mr. MYERS. Would this be true every year or just a particular year?

Mr. HUNTER. No. Just a particular year. Every year varies. We gamble on supply and demand just like this year. We just hope that our supplies don't exceed our demand so that we can get the good prices again this year.

Mr. SISK. If the gentleman will yield, what did you do in 1967 percentagewise?

Mr. HUNTER. I don't remember the percentage but there was more shipped fresh from our warehouse of our own.

Mr. SISK. Was that primarily because of price?

Mr. HUNTER. It is different every year. The percentage would vary according to the price every year.

Mr. SISK. Thank you very much, Mr. Hunter.

The next witness is Mr. Bergeson, secretary-manager, Potato Processors of Idaho, Pocatello, Idaho.

STATEMENT OF F. W. BERGESON, SECRETARY-MANAGER, POTATO PROCESSORS OF IDAHO, POCATELLO, IDAHO

Mr. BERGESON. Mr. Chairman, members of the committee, I am Bill Bergeson, secretary-manager of the Potato Processors of Idaho.

First I would like to commend the members of this committee for taking the time and being willing to hear all aspects of this important legislative proposal.

Having served two terms in the Idaho Senate, I am somewhat aware of the difficulty you might have in trying to come up with the best solution to all problems that come before your committee. Also having owned and operated a farm in Idaho, I am also aware of the problems that are facing the grower. I fully understand their concern and their sincere interest in finding long-term solutions to their potato marketing problems.

I sometimes think, though, in our anxiety to find immediate answers, we have a tendency to discount the consumer demands wherein lies our long-term solution. To be more specific, the potato processing industry is now tapping an entirely new potato market which can solve our long-range potato marketing problem. Short-range objectives can kill a budding solution in its infancy.

I do appreciate this opportunity to speak briefly in behalf of the Potato Processors of Idaho, who today are processing better than 65 percent of all the raw potatoes produced in Idaho. Inasmuch as this association processes more than the raw product total in any other State, it is one of the largest single voices in the national potato industry.

In addition to my brief remarks, I've distributed a brochure about the Idaho potato-processing industry, a copy of economic facts about potato processing and the processor's analysis as to why H.R. 11243 is vitally needed in order to place the dehydration industry in an equal competitive position with other segments of the potato industry.

The potato processors of Idaho strongly feel that the proposed amendment to the Agricultural Marketing Act of 1937, as amended, is essential to correct a current legislative oversight. The original act exempted canning because it was then the only major method of preserving food. In 1946, freezing had become a major factor in the preservation of food. Therefore, Congress amended the law to give freezing the same exemption from marketing orders. During the past 10 years, dehydration has increased 500 percent and has now become a major method of preserving food. Now, it is only logical to amend the law to keep pace with the progress of the industry.

The brochure I have distributed shows how a regional marketing order can be used as an economic weapon against isolated dehydrators

competing for the nationwide market. Without realizing it, the Marketing Order Control Committee can cause a processing plant to close its doors, and the results of the action defeat the very purpose of the law. Also, the marketing order discriminates against the dehydrator who must compete against the canner and freezer.

Although the association of potato processors in Idaho includes companies which have the advantage of being exempt from the act because of their status as a freezer or canner, the association is unanimous in its endorsement of H.R. 11243.

Mr. SISK. Thank you very much, Mr. Bergeson, for your statement. Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. The gentlewoman from Washington, Mrs. May?

Mrs. MAY. Mr. Bergeson, has your organization ever made any study of what possible price impact the inclusion or the removal of the present exemption on canners and freezers might—what the cost impact might be on the products that are now being produced, dehydrated or canned or frozen?

Mr. BERGESON. I am not aware of any such study. You mean if you turn and go in the other direction?

Mrs. MAY. If we turned and went in the other direction and removed the exemption for all potato processors.

Mr. BERGESON. No. I am not aware of the impact. It would be interesting to know just what that would be, although I think in order for it to solve the problem that we are talking about, you would have to have a national marketing order which would treat everyone alike. The growers themselves have turned this down repeatedly. The growers today do not want a national marketing order. Otherwise, you have a regional setup where one area is not affected the same as another.

Mrs. MAY. Thank you.

That is all, Mr. Chairman.

Mr. SISK. Mr. Myers?

Mr. MYERS. Mr. Bergeson, do you have any figures before you or do you recall the prices that you have paid this year for U.S. No. 1 and U.S.—A and 1-B in comparing prices?

Mr. BERGESON. Sir, I am serving as manager of the entire association and I do not delve into the pricing structure that each member company pays.

Mr. MYERS. You are not familiar with it.

That is all, Mr. Chairman.

Mr. SISK. Thank you very much, Mr. Bergeson, for your statement.

The next witness is Mr. Raymond D. Jones, immediate past president of Instant Potato Products Association, here in Washington, D.C.

**STATEMENT OF RAYMOND D. JONES, IMMEDIATE PAST PRESIDENT,
INSTANT POTATO PRODUCTS ASSOCIATION, WASHINGTON, D.C.**

Mr. JONES. Mr. Chairman, committee members, my name is Raymond D. Jones, operations manager, Grocery Products Division, the Pillsbury Co., Pillsbury Building, Minneapolis, Minn. I am past president of the Instant Potato Products Association, which has designated me to voice its unanimous support of H.R. 11243 and S. 2214.

The Agricultural Marketing Agreement Act of 1937, as amended,

needs updating to reflect today's industry conditions and the intent of the act.

1. The "United States Standards for Potatoes," effective July 15, 1958, lists the following grades of potatoes: "U.S. Fancy," "U.S. No. 1," "U.S. Commercial," and "U.S. No. 2." These grades are further broken down into three sizes: A, B, and C. Other potatoes are termed "unclassified."

An "unclassified" potato with rough skin, knobby configuration or oversized or undersized, may be unacceptable for fresh market sale, but may create a superior instant mashed potato.

On the other hand, a "U.S. Fancy" potato, perfectly formed, smooth skinned and medium sized, possessing high reducing sugar or low specific gravity, would be completely unacceptable to the instant mashed potato processor.

Fresh and processing segments of the potato industry have separate problems and should be treated separately.

2. An example of the inequity of the present act is as follows: The Red River Valley of Minnesota and North Dakota is divided by the Red River of the North. There are five potato dehydration plants in this area; two on the east side of the river and three on the west. If, by referendum, the Minnesota growers voted in favor of a marketing agreement, under present law, 58 percent of Pillsbury's present grower-suppliers would lose one of their prime outlets. Exempting potato processors from the act would overcome this type of economic inequity.

3. Finally, potato consumption had declined steadily over the past 50 years until potato processing became prevalent. Now, since the late 1950's potato consumption increased about 15 percent. Present law threatens this trend and H.R. 11243 and S. 2214 will eliminate this threat. The Instant Potato Products Association urges passage of this legislation.

Mr. SISK. Thank you for your statement, Mr. Jones.

Mr. Jones?

Mr. JONES. No questions, Mr. Chairman.

Mr. SISK. The gentlewoman from Washington?

Mrs. MAY. Mr. Jones, do I assume from your statement that you attribute the increased consumption of potatoes to the fact that we are now providing the consumer with different forms of potato than the fresh potato?

Mr. JONES. Yes; I am convinced of that.

Mrs. MAY. Do you have any idea roughly what the price impact might be on potato products if all exemptions were removed under the present marketing order law?

Mr. JONES. When we went through the national marketing agreement and order hearing 7 years ago, we calculated that the industry would increase its costs \$2.5 million just to comply with the grade regulation, a grade regulation being unneeded insofar as processing potatoes are concerned to some degree.

This was based upon 5 cents per hundredweight grading and inspection costs. So what the market price would be beyond that compliance cost, I don't know. That would be hypothetical.

Mrs. MAY. That is all.

Mr. SISK. Mr. Myers?

Mr. MYERS. No questions.

Mr. SISK. Thank you very much, Mr. Jones.

The next witness is Mr. Art Greenberg, potato grower and shipper, Grand Forks, N. Dak.

**STATEMENT OF ART GREENBERG, POTATO GROWER AND SHIPPER,
GRAND FORKS, N. DAK.**

Mr. SISK. Mr. Greenberg, the committee will be very happy to hear you.

Mr. GREENBERG. Thank you very much, Mr. Chairman and members of the committee, ladies and gentlemen.

My name is Art Greenberg and I am a potato grower and shipper in Grand Forks, N. Dak.

I believe that there has to be a change made to the Agricultural Agreement Act of 1937. As you may note, only canners and freezers are exempt from this marketing order. This was fine in 1937 and the amendment of 1956, but today it is old fashioned.

The potato-processing industry is growing at a rapid rate and we cannot afford to have this type of marketing agreements stand in the way of progress. Farmers who grow potatoes for processors understand what processors can use. For example, we grow potatoes, as many farmers do, for the chipping trade. The potatoes are stored at very warm temperatures and tend to go out of condition rapidly. The chippers have been very good about taking potatoes that were out of grade, as long as they make satisfactory potato chips, and this is a big market for our area. If this marketing agreement were enacted, we would be barred from shipping these potatoes to our potato chip contractor customers. The potatoes would be out of condition so badly that we could not grade them and sell them on the fresh market to meet the marketing order. Most of these potatoes for processing are of a different type than the fresh market demands, which is another hindrance to our types of operations.

So I would appreciate anything you can do to help get this amendment made to the Agricultural Marketing Agreement Act of 1937. I believe it will help bring more processors into the Red River Valley.

Mr. SISK. Thank you, Mr. Greenberg.

Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. Mr. Greenberg, you and a couple of previous witnesses have said that you couldn't sell. Why don't you change your marketing orders? You are under control of those, aren't you? You say you are tied by them but you are a producer, you are in a position to change your own marketing orders, I thought. So you say it won't work. I thought you could write your own orders here.

Mr. GREENBERG. Well, Mr. Myers, one Representative doesn't change the laws of government either.

Mr. MYERS. You mean—

Mr. GREENBERG. I could have my opinions but it is not necessarily my opinion that would have an influence on all of the growers when they state their opinion, in other words.

Mr. MYERS. Are you suggesting, then, you aren't speaking for a majority of the growers, then, when you make the statement today?

Mr. GREENBERG. I am speaking for myself. There are other growers in the same boat as I am.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. SISK. The gentlewoman from Washington?

Mrs. MAY. No questions.

Mr. SISK. Thank you very much, Mr. Greenberg, for your statement.

The committee will now be glad to hear from Mr. Rolland Jones, potato grower, shipper and processor, Rupert, Idaho.

Let the Chair state that if any of you desire to summarize your statements, the committee will make your statement in full a part of the record. We are hopeful, I might say, of getting through this hearing today. We are happy to have you read your statement, Mr. Jones, or if you prefer to summarize, it will be made a part of the record.

STATEMENT OF ROLLAND JONES, POTATO GROWER, SHIPPER, AND PROCESSOR, RUPERT, IDAHO

Mr. JONES. Mr. Chairman, committee members, my name is Rolland Jones. I reside in Rupert, Idaho—where I have grown potatoes for over 20 years. I am presently growing 900 acres of potatoes, operate a potato packing warehouse, and have an interest in a potato flake manufacturing plant in Rupert. I am presently a member of the Idaho Potato Commission, a director of the Idaho Grower Shippers Association, and a former member of the Idaho and Eastern Oregon Marketing Order Control Committee. I am strongly in favor of H.R. 11243 because the Marketing Order Act of 1937, as amended, discriminates against growers who produce potatoes for dehydration. There is presently an active movement in Idaho to amend our marketing order so that potato supplies for dehydration can be controlled. Many of my neighbors grow potatoes for freezing and are exempt from marketing order control. Because dehydration is a means of preserving food, just as is freezing, I strongly urge this committee to favorably consider H.R. 11243 so that I can operate on an equal footing with my fellow growers in Idaho.

I should also like to point out that only certain potato growing areas are subject to marketing order regulations. My potato growing and processing operations are designed to support the manufacture of potato flakes. My potato flakes are in direct competition with flakes produced in the Red River Valley, Maine, Michigan, Washington, Colorado, or any other area where sufficient potatoes are produced to support a flake plant. A local marketing order which could restrict my supply of potatoes for flake manufacture could take me in an impossible competitive situation with other potato producing areas, as well as with other types of foods which consumers have available to them.

The potato industry has grown rapidly and prospered since the advent of processing during the fifties. Growers who have operated an efficient growing operation have prospered also. All of this has been accomplished without marketing order controls on dehydration. The potato industry will continue to prosper if given the freedom and the competitive equality which is essential to free enterprise.

Mr. SISK. Thank you, Mr. Jones, for your statement.

Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. No questions.

Mr. SISK. Thank you, Mr. Jones. The committee appreciates your testimony.

The next witness is Mr. L. E. Tibert, potato grower, Voss, N. Dak.

The committee is happy to have you before us, Mr. Tibert. You may proceed.

STATEMENT OF L. E. TIBERT, POTATO GROWER, VOSS, N. DAK.

Mr. TIBERT. Mr. Chairman, members of the committee, my name is Budd Tibert of Voss, N. Dak.

We are certified potato growers, located at Voss, N. Dak. We grow approximately 800 acres of seed potatoes each year. A large percent of our seed sales are to growers who grow for the processing industry.

If the marketing order of 1937 with the amendment of 1956 were enacted this could cause many of our customers to go out of business. I would appreciate all the consideration that you gentlemen can give to the proposed amendment to the marketing order of 1937 so that it would exempt all processors.

Mr. SISK. Thank you, Mr. Tibert.

Mr. Jones of Tennessee?

Mr. JONES. No questions.

Mr. SISK. Mrs. May? Mr. Myers?

Mr. MYERS. Just one question, Mr. Chairman. Who certifies you?

Mr. TIBERT. We have an organization within the State of North Dakota.

Mr. MYERS. State certification.

Mr. TIBERT. State certification, yes.

Mr. MYERS. And that is according to a type that you produce as well as the quality? How is it controlled?

Mr. TIBERT. Certification is based on disease. In other words, if you have any amount of disease, you would not make a certification grade, certified grade.

Mr. MYERS. Do they check you once a year to see if your disease is held down?

Mr. TIBERT. No. We have three inspections in the field per year plus an inspection of packing at the time of shipment, plus the winter growing—growing potatoes throughout the winter. It is very closely regulated.

Mr. MYERS. Thank you.

Mr. SISK. Thank you very much, Mr. Tibert, for your statement.

The committee will next hear from Mr. Bruce Nicholes, a potato grower from Madras, Oreg.

STATEMENT OF BRUCE O. NICHOLAS, POTATO GROWER, MADRAS, OREG.

Mr. NICHOLAS. I am Bruce O. Nicholes. My address is Route 2, Box 1402, Madras, Oreg.

I would like to delete a little bit from my written testimony to answer some of the questions which have occurred here this afternoon if it would be all right with the chairman.

My occupation is farming. I farm 380 acres of irrigated, diversified

farm ground in the north unit irrigation project at Madras, Oreg. I have been raising potatoes every year since 1954. I am also president of the Scotty Potato Distributing Co., Inc., an Oregon corporation dealing in potatoes, packing and shipping as well as growing an average acreage of 200 acres of potatoes on leased grounds. Scotty Potato Distributing Co. also buys potatoes to pack from other growers in the area. Scotty Potato Distributing Co. or myself as an individual have been in the packing and shipping of potatoes since 1956. I have been a member for 2 years on the control committee of the Oregon, California marketing order as a handler. I am a member of the National Farmers Organization, past president of the Jefferson County Chapter of NFO, and past chairman of the National Farmers Organization National Potato Program. I am at the present, coordinator for the NFO in marketing order programs.

I am here today representing not only NFO but a collection was made from those growers in central Oregon, the Growers and Shippers Association, to send me here to testify.

We of the NFO and Central Oregon Potato Growers and Shippers feel that the Federal Marketing Order Act is one of the best laws on the books at this time for farmers to have some control in how their products are marketed. It is a fair law for both producer and consumer. Though the producer has control over the marketing of their products, the Secretary of Agriculture must approve of each and every action the control committee takes. He is there to see that the grower uses the program only to get a fair and equitable price for his product. He is also there to see that they do not abuse the power and restrict the market to the point to causing the consumers to be short of food or cause the price to react to a point to be more than the average of parity in any one crop season. We are here today, Mr. Chairman, to consider legislation that has been introduced to amend the powers of the Marketing Order Act, which growers have voted in by at least a 66 $\frac{2}{3}$ majority to control the marketing of potatoes in many sections of this great Nation.

Let's look at the past record of potato prices from years behind us. Let's consider whether these marketing orders have abused the law which has given them their right to control quality and volume of the potato crop they have produced. The winter crop is the crop which is now under marketing orders. The following is an average price growers receive for potatoes during the winter crop which is covered by marketing orders.

I will not read this testimony here except to note that from 1966 through 1967, the average price as calculated is \$2.09 for the 1968 crop.

(The table referred to follows:)

Year:	Average in the 9 Western States	Average fall production	Average in the United States
1960	\$1.99	\$1.79	\$2.00
1961	1.14	1.22	1.36
1962	1.48	1.48	1.67
1963	1.57	1.70	1.78
1964	3.40	3.63	3.50
1965	1.92	2.10	2.53
1966	1.87	1.97	2.04
1967	1.71	1.68	1.86
1968			

Mr. NICHOLAS. These figures are from the U.S. Department of Agriculture. Now, Mr. Chairman, you can see by this table that those growers of potatoes under marketing order control have not abused the use of the marketing order. Only once in this period of 1960 through 1968 did they even receive the average on the prices of potatoes in the United States and that was only in 1964, when they received 13 cents over the average price. At that time, every usable potato in the growers hands was used and the marketing order only controlled the quality which could be put on the market. Quality is what marketing orders control most of the time. This assures that the consumer receives that grade of potatoes he purchases at the retail level. Why do processors want out from under the control of the act? Not because of lack of quality potatoes to use in their processing, but because they want to use that potato that has been removed from the market because it is of such poor quality it cannot be shipped to the market by fresh shippers or because either the marketing order has taken it off because of quality or the order is trying to control the volume of potatoes which will go to the market.

There is just so much demand for any product on the consumers' market, whether it be in processed potatoes or fresh, with each year more of the crop being processed. If a processor can take the potatoes which are removed by the marketing order and place them on the market anyway, there is nothing taken off. Growers must receive a fair price for that which they produce. Much of the potatoes purchased for processing are culled potatoes purchased at a price of 10 cents per hundredweight or even 10 cents per ton. Can this be fair? Where else can a manufacturer purchase his supplies of raw products to manufacture his product at such a ridiculous price? This is less than 5 percent of the cost of production. The product is bought cheap because it is of low quality on the fresh market. After moving through a processing plant, it is marked U.S. No. 1 potato. There is no room at today's consumption rate to move 100 percent of the potato crop into the market at a fair price to growers. Growers must be able to control that percentage of the crop that can be used, otherwise there will be chaos in at least 4 years out of 5. For 1 percent of excess production kills any hope of a grower receiving a fair and equitable price for his production. The USDA Crop Reporting Service sees to this. Yet, if we have a short crop and people do not have sufficient supply, prices will skyrocket. Under the marketing order we are able to adjust an overproduction so that growers may receive a fair price for that percentage of his crop he sells. The balance must be withheld from the market, or you will still have an oversupply.

We feel that we should now have control of freezers and canners if we are to do a complete job of being able to control our market ourselves. This past season we of the Oregon-California marketing order, because of the USDA report showing approximately 8 million hundredweight over production, removed from human consumption our low quality potatoes from the market. We as growers were able to show a profit on our production which the USDA said would be a disaster for potato producers. They recommend we ask for a diversion program which would cost many Government dollars. We controlled our volume with the marketing order with no Government help needed. This assists producers in bargaining in a fair manner. We

believe all types of processors should be on a fair, equal and competitive base. To buy their raw products at a price level which growers of this product can make a legitimate profit. But we feel it would be wrong to place dehydrating processors in a position which would allow him to steal his raw products from the producer. Therefore, we the potato growers of Oregon and this Nation, ask you to please defeat this legislation and pass legislation which would put canners and freezers under the control of the Federal marketing order. This would then make all of them on a fair, equal and competitive base.

There has been some discussion or statements made as to the prices of the Oregon-California marketing order area being in a low position this year. I have with me the records of the marketing order service which quotes the prices averaging in the Oregon-California marketing order as being \$2.14 which is No. 4 in the Nation as to an average. But I must also call the attention of the committee to the fact that this is only 73 percent of parity.

Mr. SISK. What year are you referring to?

Mr. NICHOLS. 1968 crop. The 1968-69 crop.

Mr. SISK. Could I inject, is this the price the grower received?

Mr. NICHOLS. This is the price the grower received. I would like to also comment on a price that was quoted here as to what the gentleman purchasing his potatoes could have purchased it in the Sacramento area, or wherever Pik-Nik potatoes are. I would suggest he find a new broker. I am in the shipping business and I would have sold him for much less, but the crop reporting service quotes an average for potatoes out of the Oregon-northern California marketing area starting out in June of 1968, at \$2.10, and the highest price was April this year at \$2.50 grower prices.

Mr. SISK. Thank you very much.

Mr. NICHOLS. That pretty well completes my testimony with the exception that I would like to add why we of the California marketing order removed the low grades from the market this year. Potatoes were always available. I as a shipper found myself with an oversupply and those other shippers within the area also found themselves with an overburden, oversupply of what we refer to as stripper potatoes.

These are those potatoes which do meet the marketing order standards which would have been this year 2 inch or 4 ounce potatoes. That would be the smallest size. Then you go to your cartons and normally strippers are then 6 ounces and down. In other words, down to the 2 inches and 4 ounce and 6 ounce. Those potatoes are normally put into a 10-pound consumer package. It is a good quality as far as quality is concerned, but most housewives really don't like that small a potato.

We were overburdened with this supply of potatoes. This potato could be used very readily by Pik-Nik and the cost would have been, if they had called me in central Oregon—I will gladly give them my telephone number next year and I can furnish them at a very equitable price.

The same thing was happening in the State of Washington. Many times these potatoes were diverted last year to starch plants to the processor at a price of 10 cents a ton to growers because the market would not accept them. There was no place for them to go. The processors did very well on those potatoes being culled out in Washington.

There is a movement in the State of Idaho by NFO growers and those other growers which are cooperating. We have held many meetings within the State of Idaho to change Idaho's marketing order. Idaho's marketing order is one of its own. It controls that potato which moves out of the production area. That is the Idaho-Oregon marketing order. There is no other marketing order this way within the United States. This is how it was put in and it was put in to satisfy a dehydrating company or processing plant. They were in their infancy. They have done quite well with the exemption of being out from underneath the control of the marketing order.

The growers in Washington find themselves unable to use their marketing order because they have failed to elect those people on that marketing order which are grower inclined. Most of them have special connections with a processor.

But we are moving with the National Farmers Organization to cover the rest of the Nation in marketing orders. We spent money this year to go to Bakersfield at the convention to get marketing orders to coordinate their action. This we accomplished.

B potatoes were not just removed from the marketing order, by the Oregon-California marketing order. They were removed also from the Idaho marketing order. They could not ship out of the State size B potatoes after—I think it was about January 15 they stopped. The State of Colorado in their three marketing orders removed B potatoes from theirs. Because the price was being pushed down with an overburden of supply, they removed them from the market.

So that completes my testimony, Mr. Chairman.

Mr. SISK. Thank you very much, Mr. Nicholes.

The gentlewoman from Washington, Mrs. May?

Mrs. MAY. Just one question, Mr. Nicholes.

Do I understand you to say that you believe that if the company which has had such economic loss as a result of this marketing order change, if they had gone elsewhere, they still could have found the supply of potatoes for their product at a comparable price without the economic effect that has injured them? That they should have looked further and they would have found a suitable potato of the class that they use in making their product? Did I misunderstand you or was that—

Mr. NICHOLAS. No. I think you probably understood me correctly. Partly I will explain it a little bit.

I think they know they could not have bought it at the price they were now purchasing it at because the price—the marketing order was put in and voted in by growers. The growers in California, the Tule Lake District as well as the district in which I live and ship in, pay nothing to the grower for his B sized potato. He is allowed culled prices. It is only considered what you could buy at the starch plant.

He is credited for this amount of money, whatever it would go to the starch plant for. That would be in the area somewhere around 25 cents. They put a sack on it and ship it to their California area.

One of the reasons we stopped this shipment also was that it was people not qualified who were receiving them. We found it on the Los Angeles market at any day of the week previous to last year which you could buy size B potatoes on the open track, on track side, at from 75 cents to \$1 a hundredweight shipped into California. So there is an over-abundant supply of these small potatoes.

He could have purchased strippers which would have cost him a little bit more but the growers would have received somewhat of an equitable price for them.

Mrs. MAY. What would the effect have been on the price of his commodity competitively according to the figures he gave us this morning?

Mr. NICHOLAS. I really don't know, but I would like to see the price of the product that he has, the price of the product in the can as compared to the can he puts it in. I think the can will cost more.

Mrs. MAY. Well, the point is he has to compete in the market.

Mr. NICHOLAS. This is right, but I think those growers must be able to stay in business—

Mrs. MAY. This is what we are seeking for, balance. Your grower wouldn't be able to stay in business without the processor and the processor wouldn't be able to stay in business without you, the grower. And that is all I wanted to know, and I thought you said—and I am sorry that I did misunderstand, I thought you said by looking further or if he had a better broker he would have been able to find a supply of potatoes that would still allow him to keep his price competitive.

Mr. NICHOLAS. The supply is there. It might have cost him a little more money.

Mrs. MAY. Thank you.

Mr. SISK. Mr. Myers?

Mr. MYERS. Mr. Nicholes, on these figures you gave us, what grades were these potatoes that you are quoting from the year 1960?

Mr. NICHOLAS. That is the average salable potato. That would be from No. 1 down to 2's. That would be the entire salable crop.

Mr. MYERS. That would include the B, then, the 1-B we had in question this morning.

Mr. NICHOLAS. I am assuming it means all salable potatoes, the average price of all salable potatoes. Not including culls, though.

Mr. MYERS. No, on page 3 you have a statement here, "Much of the potatoes purchased for processing are culled potatoes purchased at a price of 10 cents per hundredweight or 10 cents per ton."

Do you sell potatoes for 10 cents a ton?

Mr. NICHOLAS. Sir, I don't, but—

Mr. MYERS. What does the statement mean, then?

Mr. NICHOLAS. Well, because I know growers that have. One will be on the stand shortly that will substantiate that she has sold her potatoes in Washington at 10 cents a ton because they do not—either you take it or you go down the road somewhere else. The fellow down the road will only offer you 10 cents also. So they must take it. They have no—unless they are big enough to put their own shed in, which many of the large growers and shippers have done, then they get into the processing business and we are talking about now the average everyday growers.

Mr. MYERS. Well, I don't know. I can't imagine anybody digging potatoes—I would leave them in the ground before I would take 10 cents for them. That would be a lot cheaper.

Mr. NICHOLAS. Well, my explanation for this, sir, is that part of the product would go on to the fresh market. That which is taken off, which is of low quality, is taken from the grower at 10 cents a ton for processing.

Mr. MYERS. One thing further.

Do I understand you to say you are not marketing the 1-B potato now?

Mr. NICHOLAS. In my area we are not allowed to ship it because of the marketing order.

Mr. MYERS. Because of the marketing order.

Mr. NICHOLAS. We are still selling it as cattlefeed.

Mr. SISK. Have you finished, Mr. Myers?

Mr. MYERS. Yes.

Mr. SISK. Let me ask one question to further clarify the matter regarding prices. You referred to the stripper prices. What were stripper prices generally in 1968 in the Oregon-California area?

Mr. NICHOLAS. The stripper price would run—I think it would average from a low of about \$1.85—that is f.o.b. Madras—at my shed to a high of about \$2.90.

Mr. SISK. What was it for the same quality of potato strippers in 1967, Mr. Nicholas?

Mr. NICHOLAS. Well, it would be very similar. I would say that the price would run a little longer in the cheaper end. This year the tail of the season we commenced to getting a better price for this product.

Mr. SISK. That is what I understand. The 1968 prices were somewhat better than the 1967 prices, right?

Mr. NICHOLAS. Well, I have the average there in my testimony of what the average potatoes brought in the nine Western States for 1967, which is \$1.71.

Mr. SISK. \$1.71 for the nine Western States?

Mr. NICHOLAS. Yes.

Mr. SISK. Please define what you mean when you mention strippers.

Mr. NICHOLAS. Strippers are that potato which, in the business of fresh packing, you build cartons and in cartons they are done normally in count size. You start from 6's to 8's, which I believe would be 120 count. Then you go to 8's to 10's, on up, just 2-ounce spread. But nobody will buy in count size that small potato below a 6-ounce down to the minimum of what your marketing order will allow you to ship or the Federal grade law would allow you to ship, so it would be that 2-inch, 4-ounce potato, to a 6-ounce potato, which is normally considered a stripper potato. It is put in a 10-pound bag, and this is what the normal consumer buys in the 10-pounds in the grocery store.

Mr. SISK. The potato that is below 2 inches, mentioned in some earlier testimony, you do not propose to ship or sell at any price?

Mr. NICHOLAS. As growers, we can get the same amount for cattle feed and remove it from our potato market and have those people that want to use the small potato move up just a little bit and use that other potato. We have got an overabundant supply. We have too many. We have to take off somewhere in order to get an equitable price for what is left.

Mr. SISK. Thank you, Mr. Nicholas, for your testimony. The committee is very happy to hear you.

The next witness will be Mrs. Ray Voss, potato grower, Pasco, Wash.

Mrs. MAY. I will just say I am glad to welcome a constituent. I don't know Mrs. Voss.

STATEMENT OF MRS. RAY VOSS, POTATO GROWER, PASCO, WASH.

Mrs. Voss. Thank you very much, Mrs. May.

Mr. SISK. Mrs. Voss, you may proceed.

Mrs. Voss. I am speaking against House bill 11243 which would remove the Federal marketing order on potatoes.

I am from Mrs. May's congressional district and I sincerely hope the committee will not act against the very numerous independent growers which she represents.

I would also like to digress at this point to say that I am a member of the Farm Bureau and have participated in their potato program, but at the moment my husband and I are working actively with the Columbia Marketing Area of the National Farmers Organization. We feel that NFO's attitude on pricing and the condition of sale is the most optimistic.

My husband and I together with our family farm 500 acres of land in the south end of the Columbia Basin project, Franklin County, State of Washington. This year we are raising 300 acres of potatoes, 29 acres of wheat, and the remainder is in alfalfa hay.

We were among the first settlers in block 16, and have developed all our land from sagebrush. In the last 12 years on the farm our children have become teenagers; and do you know, not one of them could manage to become a full-fledged "hippie," although they do consider themselves to be fully in the mainstream of life.

The cool early mornings raking hay, the discipline instilled by the frustration of mowing first-cutting hay, the experience of driving truck under a potato combine, all seem to have had an indelible effect. As a result, our children have a confidence and a knowledge of themselves that their friends in town very much admire.

We value our life just the way it is and we value our position in the community as independent business people.

The only problem is that we lost \$40,000 last year in our operation due to low prices. We sold our early Norgold potatoes to one of the largest chains in the United States, for 1 cent per pound. These beautiful potatoes were eventually sold at the supermarkets for never less than 6 cents per pound for the small ones, called "strippers" in the trade, at 59 cents for a 10-pound bag. Box-size bakerys would have cost the housewife in the neighborhood of 10 cents per pound.

If we had had our State marketing order activated to remove cull potatoes from human consumption, and had removed the 4- to 8-ounce potatoes, which are the strippers, from the fresh market, I am sure we could have been able to get 3 cents per pound for the 75-percent majority of our production which would have remained on the fresh market. Had that been the case, Ray Voss and I would not have had to take out another mortgage with Prudential Insurance Co. in order to pay our production loan deficit with the Production Credit Association.

Federal and State marketing orders are very effective tools for growers to use to regulate quality and quantity in the potato market.

At the time we were being paid 1 cent per pound for our Norgolds, the processors in our State were buying our cull potatoes from our fresh packers to supply their dehydrating plants.

It is common in our area for the integrated grower-shipper-processor to raise very large acreages. He then runs a fresh line

which "creams" off the best potatoes, running his dehydrating plant on culls and his own strippers. In cases we know of, where corporations and integrates grow their own, they get a very large percentage of off-grade potatoes. If they don't raise them, they buy them from fresh packing sheds which do not run their own dehydrating plants.

In any case, the processor is using our culls and his against us in the marketplace. The grower has 10 to 20 percent of his total production cost in these culls, and in Washington State last year he was paid in the neighborhood of 10 cents per ton for them—per ton, gentlemen.

Taking into account the weight loss for dehydration, these potatoes eventually sold for from 7 cents to 20 cents per pound as a processed product, which competed directly with the quality graded potatoes in the "fresh" stand—the one the farmer got paid for.

The processor was not nearly as worried about depressing the fresh market as was the independent farmer. The integrate was getting a far better price in wholesaling a packaged product from his fresh line, and he had a bonanza in processing free culls. He could also get rid of his strippers in his processing plant.

The grower-shipper-dehydrator can usually wait out a poor market, where the individual farmer is being pressured by his banker and creditors to dump, and recover at least a part of his cost.

We need a Federal marketing order which would apply to all processors, including freezers and canners. It could be activated State by State, according to a vote of all participating growers, including the grower-shippers, to remove a certain percentage of off-grade potatoes from the market. We could remove all culls from human consumption. A cull is defined by the USDA standards. Growers, through the marketing order could decide to open their digger chains and leave the "marbles" on the ground at digging time. Processors then could buy strippers at market price from the fresh sheds, thereby stabilizing our potato industry.

The consumer would be getting a quality product and it would not cost the taxpayers a dime—or even a penny.

For the price the consumer pays, I think she deserves to get good potatoes.

We independent growers feel that Federal and State marketing orders are an indispensable tool to maintain quality for the consumer and equality for the grower. The independent farmer cannot provide the processing industry with its raw product free of charge, and continue in business to provide the housewife with the quality potato she desires.

Independent commercial family farms can produce this quality better and cheaper than corporations with multi-thousand acre tracts. You know, at a critical time, the difference in one or two days watering can ruin the quality of a crop. In irrigated areas, management is so crucial as to verge on the impossible, unless, of course, they aren't worried because you know you can get rid of your junk for a price running it through your own plant.

I think the comparative experience of Russia and the United States in farming should have shown us that a family, loving their own land, can produce a miracle. Disinterested farm workers and highly paid managers cannot.

The miracle of production and quality accomplished by farmers farming their own land deserves protection for its service to our United States of America.

I sincerely hope that the Congress will cast a vote to save the commercial family farm by voting to save our Federal marketing order for potatoes.

Mr. SISK. Thank you, Mrs. Voss, for a——

Mrs. Voss. May I proceed, sir, to comment?

Mr. SISK. Yes. If you have some further statements go right ahead.

Mrs. Voss. As a housewife who buys her potatoes at the supermarket I must argue to say that all potatoes compete with each other. By putting culls in a more marketable form, processors are committing a real hardship on the growers quest for a decent price. Since 42 percent of potatoes retail in other than fresh form, this has to be a fact.

Mr. Goodling, I would be sure that through the marketing order, farmers would vote to sell all usable potatoes should that condition exist where the USDA did not publish a statement of overproduction.

As to the remark about wastage, we farmers deplore waste, but we want to stay in business. If we could manage to abandon our crops when they need it, this room would be full of farmers saying exactly the same thing I am from all over the United States.

Any time farmers could get paid a fair price for their whole product, they would not think of leaving any of it on the ground, and as soon as it can possibly be managed, the American farmers surplus will be given to the poor of the world.

To answer the charge by the manager of the Pik-Nik Co., that prices would skyrocket if farmers got together to determine price, I would like to assure the Congress that the American farmer would still be bound by the decisions of the Secretary of Agriculture, Clifford Hardin, who is a fair man. There is no reason to believe the farmer will charge more to grow food than would the corporations which will replace us when we are forced out of business by low prices. Because farmers have not availed themselves of their Federal marketing order tool does not mean they will not or that the need does not exist.

Keeping the marketing order will make it possible to market at a fair price and will remove the bugaboo of overproduction which sets the price for all potatoes regardless of grade.

The country needs our potatoes and, with communications between growers of all areas, no potato grower needs to worry about a processor going around him and buying from another area because of his marketing order.

Transportation is not such an important item to either buyer or grower when the price is at 2 to 3 cents or more per pound. I do believe we should have equality for buyers in the potato industry. When the intent of the marketing order is to bring stability to the growers' market and the consumers' market, why should there be exceptions?

The matter of selling 100 percent of the crop could be handled on a regional basis within State marketing orders, according to the needs of the individual community. In their wisdom, the originators of the order provided for this. Federal orders can have identical provisions as well as individual provisions State by State.

I would like to add a few more particulars to the story by Mr. Lovins about Pronto buying from Oregon because of Washington prices being too high.

You see, potato growers do have this communication between each other at this time and it happens that the Oregon people called the Washington people and asked if they should sell to this Washington buyer. This happened this spring. The Washington stored block was keeping quite well at this time and Oregon's was spoiling, so Washington put an unrealistically high price on their spuds in order to protect their neighbor. When Washington processors had boycotted our organization's block, Idaho made a significant sale for us which was enough to make our local processors realize that a potato is a potato wherever you find it and you may as well buy it at home for a price that will keep the farmer in business.

We are talking about the whole potato industry and isolated instances confuse the issue. People I know in the Red River Valley, people I know personally, have signed contracts for about 1 cent per pound. Also people I know in the Columbia Basin and the Yakima Valley. I believe that these growers must get a better price; that, regardless of the convenience of the processors, we must keep our marketing order as it is and expand it if possible. Farmers can't afford for the processors to stabilize the industry by writing contracts at less than the farmers' cost of production. This is how premarketing is happening at the moment.

I must disagree with Mr. Lovins. The situation as it exists has produced contracts between Washington buyers and growers which have brought about 1 cent per pound to the grower. The average grower has about 2 cents per pound in these potatoes. Marketing orders can be adjusted from year to year to accommodate the industry where a year produces overgrade potatoes as the general rule. I would also like to explain why the Washington marketing order isn't doing us any good at the moment as growers. Quite simply, our committee last year was processor controlled. I don't know how but we all know various pressures are always possible. We elected two new members this year and plan for our marketing order to do us some good as soon as the farmers' interest can regain their position on the committee.

I agree with Mr. Rice that there are very few independent commercial producers of potatoes left and as such I believe we are entitled to protection as a specie.

Mr. SISK. Does that complete your statement?

Mrs. VOSS. Yes.

Mr. SISK. Thank you, Mrs. Voss, for a very good statement.

The gentlewoman from Washington?

Mrs. MAY. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. One or two. I am glad we finally got one honest-to-goodness potato farmer. I guess you don't process or do anything else.

Mrs. VOSS. No, sir. We just grow them. We would like to leave the processing and handling to those people who know it best.

Mr. MYERS. Tell me a little bit about potato production. I don't know much about it. We don't raise too many in Indiana. We are kind of small potato farmers out there. Do you fertilize heavily when you plant potatoes?

Mrs. VOSS. Yes; we do. We feel that we have about \$500 an acre in our potatoes.

Mr. MYERS. \$500 an acre?

Mrs. Voss. Yes. If our production is up, we can get in the Columbia Basin as high as 30 tons. However, about 17 tons to the acre, I believe is the average.

Mr. MYERS. What is the \$500? What goes into that?

Mrs. Voss. Fertilizers, seed—

Mr. MYERS. \$500 would buy an awful lot of fertilizer in my part of the country.

Mrs. Voss. We use an awful lot of fertilizer. Our ground is sand. We have to add every nutrient to the land.

Mr. MYERS. You would burn the ground up with that much fertilizer out in Indiana.

Mrs. Voss. I am afraid it doesn't work that way in our area.

Mr. MYERS. Do you irrigate?

Mrs. Voss. Yes. That is a big part of our cost, too. We use sprinkler irrigation on our farm. We also have a circle, a pivot system, watering 130 acres. But our cost for seed is usually about \$100 per acre. Our cost for fertilizer and pesticides is usually about \$100. Our watering cost runs more than \$100 by the time we buy the water, the electricity, and furnish the labor.

Mr. MYERS. Then I don't know how you got off losing \$40,000 last year. As I understood you, you said you had about 2 cents a bushel in your potatoes and you sold them for a penny.

Mrs. Voss. Two cents a pound.

Mr. MYERS. Two cents a pound, and you sold them for a penny a pound. You lost a lot. I don't know how you lost \$40,000. That is kind of expensive. You lost about \$80 an acre.

Mrs. Voss. Yes. That is true, we lost more than that, but we made a little bit of money on some other crops, fortunately. We can't continue to do this.

Mr. MYERS. You are a glutton for punishment. Three hundred acres this year. You are persistent.

Mrs. Voss. We have a complete line of machinery to farm potatoes and any other crop we would choose would be equally risky. Hay would have had to be planted last fall to make money and aside from our allotment, we lose money on wheat. Peas and beans usually about break even with the same disadvantage of potatoes of leaving the ground open after harvest. We cannot afford the added investment to go into livestock. As I say, we are optimistic. We feel the independent farmers are still producing the major proportion of the potatoes for the American consumer and I feel we can ask 1 more cent per pound for our potatoes and not affect the consumer appreciably at all. When she is paying 10 cents a pound for bakers in the grocery store and we get 1 cent, that 1 cent is not a very large proportion of the 10 cents. So we feel that by communicating with every area of the country that is raising potatoes, by fighting for our marketing orders and by getting them activated wherever they are not working now, that we can profitably raise potatoes. We can keep our farm and we can live the way we want to live.

Mr. MYERS. Don't you have marketing orders now?

Mrs. Voss. As I explained, or someone explained earlier, Washington's marketing order is not actually activated. It isn't doing anything. The committee is processor oriented at the moment. We brought—we tried last summer to remove the culls from human consumption and

we had only one member on the committee who would vote in favor, although the meeting was peopled by many, many farmers in attendance asking for this. We asked for the meeting first. We attended the meeting and we couldn't get any action.

Mr. MYERS. What you are saying, then, your marketing orders are not working.

Mrs. Voss. Not at the moment, but we do intend making them work. We do intend to get people elected to the committee positions who will act on behalf of the farmer.

Mr. MYERS. How long have they been in effect?

Mrs. Voss. I'm sorry, I couldn't answer that question. We have only been so vitally concerned in the last 4 years. And we have only been organized as potato producers for the last year.

Mr. MYERS. That is all.

Mr. SISK. Thank you, Mr. Myers. I take it, Mrs. Voss, that your position is, if Congress is going to amend the marketing orders in any direction, they should remove all exemptions and put all processors under the marketing order.

Mrs. Voss. Yes. That is my statement.

Mr. SISK. Thank you, Mrs. Voss.

SUPPLEMENTAL STATEMENT OF OLIVER LOVINS, DIRECTOR, WASHINGTON POTATO ASSOCIATION, MOSES LAKE, WASH.

I have already filed a statement with respect to the above, but wish to file this supplemental statement to clarify two matters which were mentioned but not clarified because of lack of time.

First, reference was made to a sale of potatoes for 10 cents per ton. Obviously, this is not a normal commercial transaction. The facts are: potatoes may be bought on a field run basis with different prices named for different grades. A nominal price is named for the purely waste material in the field run, which is not edible nor usable except for starch, cattle feed or dumping. A nominal price is merely named for this waste material so that all parts of the field run delivery are covered and transferred. The important factor is not what the grower gets for the waste material but the total he gets for the field run per ton.

Secondly, it was stated by one or more witnesses that the administrative committee under the marketing order in the State of Washington was controlled or dominated by processors. The facts are: the Committee of 15 members is elected by potato growers. The 1968-1969 Committee consisted of 15 members of which 10 members were strictly and exclusively growers and 5 members were fresh shippers and/or growers. There were no processors on the Committee. The implication that the Committee members were processor-controlled is negated by the fact that they were elected by the growers to represent the growers.

SUPPLEMENTAL STATEMENT OF F. W. "BILL" BERGESON, SECRETARY-MANAGER, POTATO PROCESSORS OF IDAHO, POCATELLO, IDAHO

I have already submitted a statement with respect to the above, but wish to file this supplemental statement to make certain that the record is clear in one respect.

There have been various references to "quality" of potatoes for processing, together with references to U.S. Standards for potatoes. It should be made perfectly clear that the Standards are applicable to table use shipments, where size, shape and appearance, in other words eye appeal, are important factors.

Potatoes for processing are of the same quality as potatoes for table use insofar as soundness and edibility are concerned. Quality for processing varies from the standards for table use only insofar as size, shape and appearance are concerned.

A small or misshaped potato which has no eye appeal for table use is just as good as a larger, better shaped potato when it is processed into flakes, granules, shoestrings or chips.

Mr. SISK. The next witness before the committee is Mr. Willie Edwards, potato grower, of Tulelake, Calif., representing the Tulelake Growers Association and Klamath County, Oreg., potato growers.

STATEMENT OF WILBUR EDWARDS, POTATO GROWER, TULELAKE, CALIF., REPRESENTING TULELAKE GROWERS ASSOCIATION AND KLAMATH COUNTY, OREG., POTATO GROWERS

Mr. EDWARDS. Mr. Chairman, and members of the committee, I am Wilbur Edwards, authorized representative of Tulelake Growers Association, Tulelake, Calif., Klamath Potato Growers Association, Klamath Falls, Oreg., and Modoc and Siskiyou County chapters, California Farm Bureau Federation.

Along with my testimony I also have some petitions here signed by individuals in the Klamath Basin.

Mr. SISK. I beg your pardon? What kind of a document was that that you have?

Mr. EDWARDS. Petitions and protests to this H.R. 11243.

Mr. SISK. These are petitions against the present pending legislation.

Mr. EDWARDS. Yes.

Mr. SISK. Do you know how many signers you have on those?

Mr. EDWARDS. I did not count them.

Mr. SISK. The committee will accept the petitions and they will be made a part of the files.

You may proceed, Mr. Edwards.

Mr. EDWARDS. In 1937 the Agricultural Marketing Agreement Act set up the marketing agreement program. The Oregon-California marketing agreement was enacted at hearings held in Portland, Oreg., on January 31 and February 1, 1955, at which Order No. 947 was accepted, as amended. It was established for regulating the handling of Irish potatoes grown in Crook, Deschutes, Jefferson, Klamath, and Lake Counties in Oregon, and Modoc and Siskiyou Counties in California.

The purpose of the order was to effectuate the declared policy of the act with respect to potatoes produced in the specified Oregon-California area—by controlling size, shape, and condition of the potatoes leaving the area and thereby establishing and maintaining orderly marketing conditions that tend to establish reasonable prices for the producers (parity prices) and at the same time protect the consumer interest. These standards are administered at a marketing area office, enforced by Federal-State inspectors and financially self-sustaining by the potato producers alone.

The agricultural marketing agreement does not impose regulations, it merely provides the authority under which growers can develop regulations to fit their own situation and solve their own marketing problems when their commodity is overproduced. This is done, under the authority of the act, to put supply in line with demand, by the elimination of lesser grades of potatoes, such as culls, a percent of small U.S. No. 2's (usually under 6 ounces) and some U.S. No. 1's (usually under 2 inches or 4 ounces).

By being able to put the supply in line with demand the potato producers have the same advantage as other business organizations. Manufacturers keep supply in accordance with the consumer's demand

for a product by shutting down or slowing down production. This regulates prices and keeps the economy better balanced. The potato producer or potato manufacturer must keep his production at a maximum at all times, to give this Nation a guaranteed supply of one of the most widely used, most nourishing commodities which is still economical in comparison to other foods, and to combat the unpredictable elements of nature.

This inevitable overproduction must then be controlled through marketing orders or the more expensive diversion program. Either of the two methods have the effect of diverting the undesirable grades of the commodity from human consumption.

Even though a marketing order for potatoes is in effect in Oregon and California and many other States, some years a Federal diversion program has been necessary to eliminate large surpluses of potatoes at a great expense. This diversion program could be eliminated through marketing orders, if more reliable information could be obtained on potato stocks on hand.

The 1967-68 crop year began with a surplus of potatoes. The U.S. Department of Agriculture would not give a diversion program early in the season when they were asked for one. However, later help was received through the diversion program—but too late. Many farmers did not receive a price that was above the cost of production, because of the late diversion.

In the 1968-69 crop year the growers in the Oregon-California marketing area decided to eliminate culls, "B" size potatoes, and the small U.S. No. 2 grades (from 4 to 6 ounces) from the market. This had the same effect as a diversion program but did not cost the consumer-taxpayer any money. The farmers even received a better price than expected because of this method of handling the production problem. This is why H.R. 11243 and S. 2214 are so damaging to the consumer, producer, and the complete economy.

Because the potato producers desired to use their self-help program provided under the marketing agreement, some processors were unable to receive their usual supply of culls and undesirable grade potatoes in the 1968-69 shipping season of the fall harvested potatoes.

Even though some 30 processors in California alone have built large and profitable processing businesses on the use of undesirable fresh potatoes, the producer usually received no more than 5 to 10 percent of the actual production cost. These processed potatoes then go into direct competition with the desirable grades of fresh potatoes.

These prices may have been favorable in the 1940's or 1950's, but in the late 1960's this is ridiculous—for potato producers to keep supplying potato processors with their commodity, at a loss, and then have these same low-grade potatoes in direct competition with the best quality fresh potatoes in the markets.

Most of the people in the Oregon-California production area believe canners and freezers should no longer be exempt from the marketing agreement regulations either. With all types of processors under marketing agreement jurisdiction, all potato buyers would be on an equal basis in fair competition—and this would ease the cost-price squeeze the grower faces. In low production years the marketing agreement standards could be lowered accordingly, by use of

the marketing order, so that culls and B's could be processed or sold fresh, if necessary.

It is felt by the potato producers in the Klamath Basin that H.R. 11243 and S. 2214 were purposely introduced at this time—during the producers busy planting season. There was no official publicity and a majority of the growers across these United States know nothing about the two bills. Producers have not had adequate notice for proper preparation and presentation of their testimony so that all true facts might be disclosed. It is therefore important that H.R. 11243 and S. 2214 be either defeated here and now, or given adequate time for the producers to prepare a proper testimony.

Mr. SISK. Thank you, Mr. Edwards, for your statement.

Let me say in fairness to the committee that this, of course, is one of the obligations and responsibilities of Members of the Congress, to try to be sure that before we act, there is adequate public knowledge of matters of this kind. And let me assure you, and in turn if you will, your people, that we do not propose to act hastily upon this legislation until people have an opportunity to know what it is about. I personally can't tell you exactly at what point it was decided to hold these hearings but I do want to assure you that ample time will be given to hear from everyone concerned before we take any kind of action on the legislation. I recognize the problems always of getting out an adequate amount of information.

Mr. Myers, do you have any questions of Mr. Edwards?

Mr. MYERS. Just one or two, Mr. Chairman. The size B potatoes in this last year were taken off the market. You sold none through your marketing agreement; is that correct?

Mr. EDWARDS. That is correct. There were some exceptions, though, which were chipping, charity—there are two others that can go out under special purpose.

Mr. MYERS. Wouldn't it be possible for you to amend your marketing order so that you could sell them at a different price if you selected to?

Mr. EDWARDS. The B-sized potatoes?

Mr. MYERS. Yes. You have it within your power of your marketing agreements through your marketing orders to change the arrangements where you could sell it at a price, could you not?

Mr. EDWARDS. That is correct. If and when a crop is short and these potatoes are needed to meet the demands of the public, they could be put on to be used for human consumption.

Mr. MYERS. The last sentence in your next to the last paragraph on page 2, "These processed potatoes then go into direct competition with the desirable grades of fresh potatoes," I can see your point here but this isn't always true. Pik Nik testified this morning that they closed their plant because they couldn't get the No. 2 potatoes, or the B potato.

Mr. EDWARDS. Sir, I don't go along with that too much.

Mr. MYERS. You don't think they closed the plant?

Mr. EDWARDS. They may have closed it but not for that reason.

Mr. MYERS. You just thought they got tired of making money and decided to close out.

Mr. EDWARDS. Well, they are going to protect their outlets no matter what happens. They are not going to let another processor come along and get in there.

Mr. MYERS. I am a farmer, but I also have to realize, as a member of this committee, that the consumer pays the ultimate bill, and we have to protect both sides and try to come out with an equitable solution. I am not a potato farmer, however.

Mr. EDWARDS. It has been shown that farm produce could be raised around 30 to 33 percent at the farm gate and it would only affect the consumer about $1\frac{1}{8}$ to $1\frac{1}{10}$ percent.

Mr. MYERS. Where do you get these figures? Where do they come from? I would like to see them.

Mr. EDWARDS. I will get them for you, sir.

Mr. MYERS. OK. I appreciate it.

Mr. SISK. Mr. Edwards, I would just like to ask you a couple of questions to further clarify the price situation which you heard discussed.

It is my understanding that the Pik-Nik people are receiving their supplies for the winter months from your particular area, the northern California-Oregon area; is that right?

Mr. EDWARDS. I have no knowledge of what channels these B-sized potatoes go into when they leave the Klamath Basin. The average farmer doesn't.

Mr. SISK. Well, it was my understanding that what brought about the change by the Department of Agriculture in their definition of canning was as a result of actions taken by your folks in the California-Oregon marketing order area. Is this correct or is it not?

Mr. EDWARDS. That is correct. You mean the definition of a canned potato?

Mr. SISK. Yes; that is right.

Mr. EDWARDS. Yes.

Mr. SISK. In other words, your particular group raised this question.

Mr. EDWARDS. Yes. I think it was the marketing order committee that needed clarification of it.

Mr. SISK. That is right. Now, prior to the time this question was raised, are you aware, Mr. Edwards, of the price to the grower? That is the only price I am concerned about here, not necessarily an f.o.b. price in San Jose or anywhere else, but the price to the grower.

Mr. EDWARDS. I am familiar with the prices ordinarily paid to the growers for B-sized potatoes.

Mr. SISK. And what were those prices, for example, in 1967? Do you recall? Or take 1968 if that is—

Mr. EDWARDS. Well, 1968, we didn't ship any from the 1968 crop.

Mr. SISK. What were they receiving, then, in 1967, the last year you shipped these?

Mr. EDWARDS. The common price received at the Klamath Basin is usually 10 to 20 cents per hundredweight.

Mr. SISK. Ten to 20 cents per hundredweight.

Mr. EDWARDS. Net to the grower. There are cases when they will pay 30 to 40 percent and then there are times when they will not buy a B for any price because there is not that much market for them.

Mr. SISK. I see. What I was trying to establish for the benefit of the committee was what actually the grower was receiving for these potatoes they were converting into shoestring potatoes and then canning. I think this is of some importance.

Mr. EDWARDS. Yes. He was quoting a delivered price and I was quoting a price net to the grower.

Mr. SISK. I recognize he was quoting delivered price and I am certain some broker some place took a profit off of it, maybe a couple of brokers. I don't know how many handlers these potatoes go through prior to the purchase by Beatrice Foods in this case.

Mr. EDWARDS. Well, sir; in the crop year of 1964 there was marketed in the winter of 1964 and 1965—the processors in California paid as high as \$3 and \$4 a hundred for B's due to the shortage of the crop, and I didn't see them shutting down their doors.

Mr. SISK. They still continued to operate.

Mr. EDWARDS. Yes.

Mr. MYERS. Beans, you say?

Mr. EDWARDS. B sized potatoes.

Mr. SISK. Did the gentleman from Indiana have a further question?

Mr. MYERS. How far is this Klamath region from San Jose?

Mr. EDWARDS. I would say roughly 400 miles.

Mr. MYERS. \$1.50, \$1.65, that is a lot of handling charge.

Mr. EDWARDS. The freight is probably in the neighborhood somewhere of around 50 cents.

Mr. SISK. Fifty cents freight approximately.

Mr. Edwards, thank you very much for your statement. The committee appreciates your taking the trouble to come here and, as I say again, let me assure you that prior to any action by this committee, we will try to make certain that the potato people across the Nation know what we are doing.

Mr. EDWARDS. I thank you.

Mr. SISK. I hope whatever we do will be in the best interests of everyone concerned.

Mr. SISK. The next witness is Mr. John Mooers, president, Maine Potato Council, Houlton, Maine.

STATEMENT OF JOHN MOOERS, PRESIDENT, MAINE POTATO COUNCIL, HOULTON, MAINE

Mr. MOOERS. Thank you, Mr. Chairman, members of the committee.

Mr. SISK. Mr. Mooers, very happy to have you. The committee will be glad to hear from you.

Mr. MOOERS. My name is John Mooers. I live in Houlton, Maine. I am president of the Maine Potato Council and I am appearing here today on behalf of this organization.

The Agricultural Marketing Agreement Act of 1937 as amended was established to provide the farmers with the tools with which to control the quality and movement of their crop going to market.

Marketing orders were in effect for many years in Maine but a set of circumstances developed which caused the farmers to become dissatisfied with the order and it was removed. Part of that dissatisfaction stemmed from the fact that the canning and freezing exemption existed and these outlets could not be regulated.

In the declaration of policy of the act it states that the policy shall be to assist the farmers to get a fair price for their product and to protect the interest of the consumer. This legislation would be in direct conflict with that policy. How can farmers get a fair price

if they were denied the right to regulate the quality of the product they sell? How can a marketing order protect the interest of the consumer if it is deprived of the right to regulate the quality of raw product that goes into the processed product that the consumer will buy?

Processors want to use culls and other low grades of potatoes because they can get them for practically nothing. These low grades often include rotten, damaged and otherwise unusable potatoes, but by the time they are put through the process they have changed form. The unsuspecting consumer buys a finished product that she would refuse to buy if she could see the raw product that it was made from.

The fresh potato industry of this country is already in trouble. The quality of the potatoes found in retail stores is driving the consumer to other foods. Yet if this bill becomes law we will see all marketing orders for potatoes voted out by the farmers and the quality of fresh potatoes can be expected to deteriorate even more.

We cannot argue the unfairness of some processors being under orders and others being out. There is some inequity involved, but the answer to this problem is to remove all exemptions. Give the farmer back the whole package. Remove the canning-freezing exemption and help the farmer to help himself.

You can rest assured the farmers will not do anything under an Order that will hurt their market; they would be foolish to destroy a legitimate market for potatoes.

I strongly urge that this legislation, H.R. 11243, which would destroy marketing orders for potatoes, be killed and serious consideration be given to the removal of the canning-freezing exemptions.

Mr. SISK. Thank you, Mr. Mooers, for a very staunch defense of your position and a well thought-out statement.

The gentleman from Indiana.

Mr. MYERS. No questions.

Mr. SISK. Thank you, Mr. Mooers. We appreciate very much your testimony.

Mr. SISK. The next witness will be Mr. Edwin C. Hadlock, administrative assistant to John W. Scott, Master, National Grange, Washington, D.C.

Mr. Hadlock, we will be happy to hear you.

**STATEMENT OF EDWIN C. HADLOCK, ADMINISTRATIVE ASSISTANT
TO JOHN W. SCOTT, MASTER, NATIONAL GRANGE, WASHINGTON,
D.C.**

Mr. SISK. Mr. Hadlock, I note that you have a rather extensive statement. I might say before you start that we do not wish to cut you off. We will give you plenty of time. We are shooting at a deadline here which is in about 25 minutes. If you desire, this entire statement will be made a part of the record and you can summarize, or if you prefer, you may read it.

Mr. HADLOCK. Thank you, Mr. Chairman. I appreciate the situation. With that assurance I will be delighted to summarize the statement.

Mr. SISK. All right. Without objection, the full statement will be made a part of the record and you may proceed to summarize it.

Mr. HADLOCK. Thank you.

I am Edwin C. Hadlock, administrative assistant to the Master of the National Grange, with offices at 1616 H Street NW., Washington, D.C.

Although this is my first appearance before this distinguished committee, I am sure that most if not all of you are familiar with the National Grange and our long history of support for self-help farm programs, including marketing orders for fruits and vegetables for all forms of processing.

The Grange is a family-farm, rural-urban organization, representing over 600,000 members located in 40 of our 50 States. It is because of our heterologous membership that we have a wide range of legislative interests and address you today representing both the producers of potatoes as well as the ultimate consumers of this excellent product of our land.

The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of 32 years of support for market order legislation without a single exception.

However, today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of H.R. 11243, to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

The fact that all potatoes for processing, except those for dehydrating and chipping, are exempt from the provisions of Federal marketing orders is discriminatory against this particular form of processed potatoes. However, we do not agree with the proponents of H.R. 11243, that the way to make all things equal is to exempt all forms of potatoes from processing from Federal marketing orders. This is too strong a cure and will kill the patient. In fact, several marketing orders have been dropped because of their inability to regulate potatoes for processing.

Marketing orders are presently lying dormant in the Red River Valley and in Maine because of the earlier exemptions and the enactment of H.R. 11243 will surely be the death blow to the remaining orders.

As farmers or producers of a commodity, we look at the purpose of a marketing order, first, to control the quality for the protection of the consumer, and second, to allow producers to affect price by the regulation of quality.

The interests of the consumers are well preserved in the market order legislation and the regulations imposed in marketing orders assure the consumer of a much higher quality product at fair and reasonable prices. The use of a market order does not mean the monopolistic manipulation of the market as some people have erroneously concluded. The Grange feels that the consumers' interests will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high-quality potatoes that she would buy for table use.

This is not to say that the present potato products are not made from good potatoes. They are. But the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulations of the Federal marketing order.

We also feel that the best interests of the processor are adequately served by the knowledge that there will be an abundant supply of the

product at a high uniform quality available to the processor. And it will be delivered when most desirable from his standpoint; that the problems of purchasing can largely be eliminated by the proper functioning of the Federal marketing order. The Grange would like to state our earlier position, that it is desirable to amend the Marketing Order legislation to include potatoes for all forms of processing and to prevent processors from having any voice in the development of a marketing order, and then to prevent the producers from having any voice in the sale of the product after it has been processed. To do otherwise regarding coverage of marketing orders is like giving a carpenter a hammer and then breaking the hammer.

We are saying that this is what we think is a matter of conscience and justice. Simply stated it is that the farmer should be allowed to regulate his market according to his best interests with a proper regard being paid to the consuming public and that the processor should be free from interference from the producer in the marketing of his finished product.

It appears to us that this is the basis of mutual assignment of responsibility and mutual cooperation. That can build a strong industry regardless of whether it is in potatoes, pears, peaches, cherries, or milk.

At our 1968 annual session the delegate body reaffirmed basic Grange policy of legislation to enable producers, through referenda, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for self-help farm programs.

We, therefore, urge this committee to adopt, not H.R. 11243, but legislation that will extend Federal marketing orders to potatoes for all forms of processing, in keeping with the purpose and declared policy of Congress as expressed in the act of 1937.

We appreciate this opportunity to appear before this distinguished congressional committee to once more support legislation to increase the farmer's control over his destiny.

Thank you, Mr. Chairman.

Mr. SISK. Thank you, Mr. Hadlock. And we appreciate very much your making your statement brief, and your full statement, of course, is a part of the record.

The gentleman from Indiana?

Mr. MYERS. No questions.

Mr. SISK. Thank you, Mr. Hadlock. We appreciate your making the position of the National Grange clear to the committee.

(The statement follows:)

STATEMENT BY EDWIN C. HADLOCK, ADMINISTRATIVE ASSISTANT TO THE MASTER OF
THE NATIONAL GRANGE

Mr. Chairman and Members of the Subcommittee, I am Edwin C. Hadlock, Administrative Assistant to the Master of the National Grange, with offices at 1616 H Street, N.W., Washington, D.C.

Although this is my first appearance before this distinguished Committee, I am sure that most if not all of you are familiar with the National Grange and our long history of support for self-help farm programs, including marketing orders for fruits and vegetables for all forms of processing.

The Grange is a family farm, rural-urban organization, representing over 600,000 members located in 40 of our 50 states. It is because of our heterologous membership that we have a wide range of legislative interests and address you today representing both the producers of potatoes as well as the ultimate consumers of this excellent product of our land.

The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of thirty-two years of support for market order legislation without a single exception.

However, today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of H.R. 11243, to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

The provisions of H.R. 11243 would exempt from Federal marketing orders "potatoes for canning, freezing, or other processing". It is our understanding that the present Agricultural Marketing Agreement Act of 1937, as amended, already exempts potatoes from marketing orders for canning or freezing in both subparagraphs (A) and (B) of section 608(c)(2). Potatoes for canning were exempt in 1937 and for freezing in 1947; therefore, the only new provision of H.R. 11243 would be to exempt potatoes for "other processing", which would include dehydrating, chipping, etc.

The fact that all potatoes for processing, except those for dehydrating and chipping, are exempt from the provisions of Federal marketing orders is discriminatory against this particular form of processed potatoes. However, we do not agree with the proponents of H.R. 11243, that the way to make all things equal is to exempt all forms of potatoes for processing from Federal marketing orders. This is too strong a cure and will kill the patient—Federal marketing orders for potatoes.

The Grange would be in strong support of legislation to equalize the treatment of potatoes under Federal marketing orders by eliminating the present exemption provided for potatoes for canning or freezing in subparagraphs A and B of the Act. In the Grange view, this would be in keeping with the original intent and purpose of the Agricultural Marketing Agreement Act of 1937, as amended, and would be a far better cure for the patient.

The Federal marketing orders in North Carolina, Oregon, Washington, Idaho and Colorado, represent 52% of the total fall production of potatoes, or 120 million hundredweight. Of this total amount, approximately 10% to 12% are removed from the fresh market and are diverted into processing because of the quality restrictions under the terms of the Federal marketing orders. Therefore, under the provisions of H.R. 11243, this amount of off-grade, sub-standard quality potatoes, would be placed on the fresh market in competition with high quality potatoes, which would have an adverse effect on the price of fresh market potatoes. The other alternative would be the elimination of the marketing order, with even a greater disruption of the fresh market price and orderly marketing, one of the prime objectives of a marketing order.

This increased amount of off-grade potatoes would have the greatest price-depressing effect in the immediate market area, but it also would have an effect on the entire market structure of table stock potatoes. I fail to see why any grower of potatoes in the marketing area of the Federal orders would want to see off-grade potatoes that had previously been diverted into processing be placed on the fresh market. In our opinion, and in the opinion of our members and others in the affected states, that is just what would take place.

In fact, several marketing orders have been dropped because of their inability to regulate potatoes for processing. Marketing orders are lying dormant in the Red River Valley and in Maine because of the earlier exemptions and the enactment of H.R. 11243, will surely be the death blow to the remaining orders.

We believe it would be well for this Committee, Mr. Chairman, to review the reasons for the enactment of the Agricultural Marketing Agreement Act of 1937 and the purpose and intent of Federal marketing orders.

In section 1 of the Act under "Declaration" it states:

"[It is hereby declared that the disruption of the orderly exchange of commodities in interstate commerce impairs the purchasing power of farmers and destroy the value of agricultural assets which support the national credit structure and that these conditions affect transactions in agricultural commodities with a national public interest, and burden and obstruct the normal channels of interstate commerce. (7 U.S.C. 601).]"

In section 2, relating to Declaration of Policy it states:

"DECLARATION OF POLICY"

"[Section 2. It is hereby declared to be the policy of Congress—

(1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish, as

the prices to farmers, parity prices as defined by section 301(a) (1) of the Agricultural Adjustment Act of 1938.²

(2) To protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in subsection (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section.

(3) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such container and pack requirements provided in section 8(c) (6) (H)³ such minimum standards of quality and maturity and such grading and inspection requirements for agricultural commodities enumerated in section 8c(2), other than milk and its products, in interstate commerce as will effectuate such orderly marketing of such agricultural commodities as will be in the public interest.

(4) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for any agricultural commodity enumerated in section 8c(2) as will provide, in the interests of producers and consumers, an orderly flow of the supply thereof to market throughout its normal marketing season to avoid unreasonable fluctuations in supplies and prices.⁴

(5) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to continue for the remainder of any marketing season or marketing year, such regulation pursuant to any order as will tend to avoid a disruption of the orderly marketing of any commodity and be in the public interest, if the regulation of such commodity under such order has been initiated during such marketing season or marketing year on the basis of its need to effectuate the policy of this title.⁵ (7 U.S.C. 602.)]

We suggest that what is being attempted today by the proposed legislation is not in keeping with the declaration of the policy of Congress.

As farmers or producers of a commodity, we look at the purpose of marketing orders to:

First—regulate the market in such a way that the forces within the market will not destroy the market itself. We have applied the principles of this kind of legislation successfully to many crops, primarily to the perishable fruits and milk. In addition, it has been duplicated by state marketing orders many times and in many states.

Second—to provide an abundance of the product for the market at a reasonable price. It has long been held that market orders themselves cannot be used as a means of only raising prices. However, through regulating quality and other terms of sale, farmers can to some extent effectuate price increases above that which would be obtained without the marketing order.

The interests of the consumer are well preserved in the market order legislation and the regulations imposed in marketing orders assures the consumer of a much higher quality product at fair and reasonable prices. The use of market orders does not mean the monopolistic manipulation of the market, as some people have erroneously concluded.

The Grange feels that the consumer's interest will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high quality potatoes as she would buy for table use. This is not to say that present potato products are not made from good potatoes. They are, but the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulation of a Federal marketing order.

We also feel that the best interests of the processors is adequately served by the knowledge that there is an abundant supply of the product at a high uniform quality available to the processor, that it will be delivered when most desirable

² Amended by section 302 of the Agricultural Act of 1948 (July 3, 1948, 62 Stat. 1247) to refer to parity prices as defined in the Agricultural Adjustment Act of 1938.

³ The words "such container and pack requirements provided in section 8(c) (6) (H)" were added by Pub. L. 89-330, 79 Stat. 1270, approved Nov. 8, 1965.

⁴ Subsection (4) added by section 401 of the Agricultural Act of 1954, 68 Stat. 906.

⁵ Subsection (5) added by section 141 of the Agricultural Act of 1961 (Aug. 8, 1961, 75 Stat. 303).

from his standpoint, and that the problems of purchasing can be largely eliminated by the proper functioning of the Federal marketing order. Therefore, from the standpoint of the historical operations of the market order, we do not believe that processors have any reasonable gains to accomplish by adoption of this kind of legislation.

The Grange would like to state our early position that it is desirable to amend the marketing order legislation to include potatoes for all forms of processing and to prevent processors from having any voice in the developing of a market order, and then to prevent the producers from having any voice in the sale of the product after it has been processed. To do otherwise regarding coverage of marketing orders, is like giving a carpenter a hammer to build a house and then breaking the handle.

What we are saying is what we think is a matter of common sense and justice. Stated simply, it is that the farmer should be allowed to regulate his market according to his best interest with proper regard being paid to the consuming public and that processor should be free from interference from the producer in marketing of his finished product. It appears to us that this is the basis of mutual assignment of responsibility and mutual cooperation that can build a strong industry, regardless of whether it is potatoes, pears, peaches, cherries or milk.

The growing need for farmers to develop stronger joint programs in order to maintain a healthy, efficient food marketing system has been stressed by the June, 1966, report of the National Commission on Food Marketing, which pointed out that:

"Farmers as independent operators have not been able to coordinate quality improvement programs or to schedule more even flows of products to the extent demanded by today's food industry . . . Some form of governmental sanction for collective action will be needed, at least for a substantial period of time. Federal and State marketing orders and agreements are long-standing examples of instruments of this kind . . . (As an approach which is often complementary to cooperative organizations) they should be authorized for any agricultural commodity produced in a local area or regional subdivision of the United States. This is even more true today than in 1966."

In conclusion, Mr. Chairman, please permit me to re-state some basic Grange policy regarding farm marketing.

Our Journal of Proceedings for 1961 stated:

"MARKETING ENABLING LEGISLATION

"The Grange has long advocated the commodity-by-commodity approach in the development of farm programs, and recognized the marketing order as a useful tool in developing such programs. Under existing Federal law, however, this and similar tools are not available to the producers of many commodities. If it becomes apparent that there is a broad desire on the part of the producers of any such commodities now excluded by law to have the opportunity to develop and vote on marketing-order type measures, we will support their efforts to obtain necessary enabling legislation."

In addition, in 1959, Grange policy regarding marketing orders was expressed as follows:

"Increased producer bargaining power.—The Grange believes that farmers are entitled to bargaining power comparable to that enjoyed by 'labor' and 'business'. Farmers are both. Our programs would, therefore, seek to place responsibility for—and the control of—excess production in the hands of producers themselves.

"Provide producer-managed marketing programs.—Through legislation, government has helped develop the bargaining power of organized labor. Other Federal laws often enable 'business' to regulate and control production and marketing of its products and services. Likewise, government should provide the framework for producer-managed commodity marketing programs, where necessary, to enhance producer-bargaining power."

At our 1968 Annual Session, the Delegate Body reaffirmed basic Grange policy of legislation to enable producers, through referenda, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for self-help farm programs.

We, therefore, urge this Committee to adopt, not H.R. 11243, but legislation that will extend Federal marketing orders to potatoes for all forms of processing, in keeping with the purpose and declared policy of Congress as expressed in the Act of 1937.

We appreciate this opportunity to appear before this distinguished Congressional Committee to once more support legislation to increase the farmer's control over his own destiny. Thank you, Mr. Chairman, for permitting the National Grange this privilege.

Mr. SISK. The next witness is Mr. Mercker, executive secretary, Vegetable Growers Association of America, Washington, D.C.

STATEMENT OF A. E. MERCKER, EXECUTIVE SECRETARY, VEGETABLE GROWERS ASSOCIATION OF AMERICA, WASHINGTON, D.C.

Mr. SISK. The committee will be glad to hear from you, Mr. Mercker.

Mr. MERCKER. I want to thank the committee for the opportunity given me to appear before you in connection with H.R. 11243. My name is Albert E. Mercker and since 1965 I have been executive secretary of the Vegetable Growers Association of America.

The Vegetable Growers Association of America takes exception to this bill as it would preclude potatoes from dehydration and other processing, from being included under regulations by marketing orders. During the 1930's marketing orders were in effect for many commodities for a crop year. However, after World War II marketing orders were again adopted by many of the potato-producing areas. The orders have been very helpful in bringing producers in all segments of the industry together and that is hard to come by.

Vegetable and potato growers must be alert and efficient businessmen. They must know chemistry, physics, genetics, and mathematics and must be plant nutrient experts. Not only that, but they must be well versed in many other fields, including marketing policies and crop production. Their individual and collective investment is now tremendous. Because they are more alert businessmen they have worked under marketing orders in these many areas. For instance, in Idaho they have operated continuously under a marketing order since August 6, 1948.

Per capita potato consumption decreased, reaching a low of 102 pounds per person in 1956. We must give the processor credit for during and after World War II they learned how to process a good product, so that per capita consumption is now estimated at about 112 pounds per person. Consumption of potatoes in the fresh form, however, declined to 64 pounds per person and increased to 48 pounds per person in the processed form, which resulted in an increase of 55.8 million hundredweight in total consumption or about one-third more than was used for food in 1956.

Marketing orders have taught growers, handlers, and processors to work together keeping in mind their own interests, needs, and responsibilities of all concerned so that they developed a close relationship and generally have worked in harmony, discussing their mutual problems, and formulating a policy whereby the marketing of their product would meet the consumptive requirements. This has been most worthwhile and helpful.

I am sure the processors want good potatoes but to restrict the authority of the marketing orders committee through this legislation would merely result in harm to the industry as a whole and may break up the harmonious relationship that exists. This, in turn, may bring about price chiseling between processors to buy the commodity on the basis of low grades and reduce the price to the producer, resulting in a reduction of his income from potatoes. This would be most harmful to

the industry as a whole for we have seen chiselers in many areas use the ammunition of the producer to conduct his own warfare and result in lowered incomes for the product.

Vegetable crops, including potatoes and sweet potatoes, are not price supported.

At its February 1969 meeting the Vegetable Growers Association of America unanimously adopted its resolution No. 17 entitled "Marketing Agreements," which reads as follows:

With an increasing interest in marketing agreements, and where it appears that a considerable segment of the growers of any given commodity in a homogeneous producing area desire the adoption of such an agreement, this Association will make available its staff and facilities in affording information and assistance to the local State member associations in establishing the proper contacts and procedures with the U.S. Department of Agriculture. We believe these marketing agreements should be confined to local, State, or compact regional producing areas of the specific commodity only.

For these reasons the Vegetable Growers Association of America strongly disapproves of H.R. 11243. This bill, as well as Senate bill No. 2214, is contrary to the policies adopted by the 90th Congress, which has passed legislation to strengthen the bargaining power of growers, as set forth in Public Law No. 90-288, 90th Congress, S. 109, April 16, 1968, to prohibit unfair trade practices affecting producers of agricultural products, and for other purposes.

In addition, many bills have been introduced in the 91st Congress to strengthen the legislation previously enacted and it is difficult to understand what the purpose can be to have legislation enacted that would have a countereffect on already enacted legislation.

Under a marketing order or a controlled program it is impractical to control one segment, namely the fresh product, without controlling all segments, including the processed product. The programs can only be successful if the regulations under the order are administered with equal justice to each segment. The Congress has fully supported this type of program under Public Law No. 288, which requires Government administration and which promotes equality. This bill precludes growers from assuming regulatory functions which necessarily is the responsibility of the Government. On the other hand, if you take out all processing it would be contrary to the ideas set up under Public Law No. 288 to prohibit unfair trade practices brought about by price cutting and unfair competition between growers and handlers selling to the fresh market or to the processing segment.

When marketing orders were first initiated most of the fresh market vegetables and other farm products were sold in the fresh form. Processing was generally much removed from the general procedures and the marketing of fresh products. Things have changed whereby per capita consumption of the fresh products has declined while the per capita consumption of the processed vegetables has increased.

In conclusion it appears that revamping of the marketing order laws should be carefully studied and changed to bring them up to date to meet the important changes mentioned above.

The Vegetable Growers Association of America opposes this bill but would work with the committee in setting up much needed marketing procedure. It is impractical to let one segment of an industry carry the load, particularly when competing in the marketplace.

Thank you, gentlemen, for your time and attention.

Mr. SISK. Mr. Mercker, the committee appreciates very much your statement.

The gentleman from Indiana.

Mr. MYERS. I just have one question. On page 2 you say something about chiseling between processors to buy the commodity on the basis of lower grades. Wouldn't this come under the Fresh Food Act?

Mr. MERCKER. Perishable Agricultural Commodities Act. I don't think so. That is more in the line of cheating, not chiseling.

Mr. MYERS. Cheating is chiseling.

Mr. MERCKER. I mean, Perishable Agricultural Commodities Act is a code of ethics, particularly that you must pay a producer or pay the person from whom you bought the goods for the goods that you purchased. Otherwise you lose your license and are put out of business.

Mr. MYERS. You say by grades here, lower grades. In other words, I thought you meant here they were going to tell the producer he has a lower grade than he actually has, and I thought that is what this act provided.

Mr. MERCKER. It could be so.

Mr. MEYER. OK.

Mr. MERCKER. It could be. I ran a clearinghouse on potatoes, for potato growers, from Dade County, Fla., on up to the coast, Snow Hill, Md., and into New Jersey, and I tried to get them together in 1929 through 1937 and it was some job—voluntary action.

Mr. SISK. Thank you, Mr. Mercker. We appreciate very much your statement.

The next witness, and the last witness, is Mr. Reuben L. Johnson. I believe he is not in the room, but he has filed a statement in the form of a letter to Congressman Foley, subcommittee chairman, and without objection his letter will be made a part of the record.

(The letter follows:)

NATIONAL FARMERS UNION,
Washington, D.C., June 6, 1969.

HON. THOMAS S. FOLEY,

Chairman, Domestic Marketing and Consumers Relations Subcommittee of the House Agriculture Committee, House Office Building, Washington, D.C.

DEAR CONGRESSMAN FOLEY: National Farmers Union is opposed to H.R. 11243 which would exempt all potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937. The introduction of the bill has provided the opportunity for us to strongly urge that the present exclusion of potatoes for canning and freezing under the Act be rescinded. There is absolutely no sound and practical reason why all potatoes for whatever use should not be extended Market Order coverage where producers approve.

For all practical purposes, if the legislation before the Subcommittee were approved any further development of Marketing Orders for potatoes would be extremely difficult if not impossible. The reason is that most of the areas producing potatoes produce for both fresh market and processing uses. Unless all potatoes produced are under the Market Order in a particular area effective administration of a Marketing Order would be impossible.

We urge the Subcommittee to (1) reject H.R. 11243 and (2) take action to amend the Agricultural Marketing Agreement Act of 1937 to provide that all potatoes including those for canning and freezing be covered under the provisions of the Act.

Sincerely,

REUBEN L. JOHNSON,
Director of Legislative Services.

Mr. SISK. Mr. Johnson is representing the Farmers Union, and they urge the rejection of the pending bill.

(The following letters and statements were also submitted to the subcommittee:)

NATIONAL FARMERS UNION,
Othello, Wash., June 11, 1969.

DEAR MR. FOLEY: Enclosed please find a number of copies of contracts used in this area by the processors and farmers.

I am sending these copies to verify the three testimonies given Monday and Tuesday relating to S. 2214 and H.R. 11243.

I have boxed in the information on each contract which stated we receive 10 cents a ton (2,000 lbs.) of culls to these processors.

Mr. Foley, with processors all being controlled under their marketing order, production can more or less be controlled by these state committees by how much of this production can be released on the market for human food and consumption. If a crop is 10% in surplus it will depress the price. The Marketing Order Committee can legally remove this surplus, leaving the market price in a stable position.

We feel potato diversion, the cost of this program is not good. Marketing orders can help to avert this diversion situation.

Farmers need support by your Committee. Please help us.

HERMAN J. FICHLING,
Co-Vice President.

(Attached to the above letter were nine contracts. The cost of printing these lengthy documents precludes the printing in this record. Copies of these documents may be found in the files of the committee. However, following are a few excerpts from these contracts emphasizing the point made in Mr. Fichling's letter:)

"Contract price: \$27.50 per ton for 1's and 2's. 10 cents per ton for culls."

"A payment of 10 cents per ton will be made to Grower by Company for cull potatoes delivered under this contract."

"The determined price will apply to No. 1 and No. 2 potatoes only. Culls will be paid for at the rate of ten cents (\$.10) per ton."

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., June 12, 1969.

HON. THOMAS S. FOLEY,
Chairman, Domestic Marketing and Consumer Relations Subcommittee, House Committee on Agriculture, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN FOLEY: On June 4 we wrote you concerning H.R. 11243 and asked to file a statement after our Board of Directors had reviewed this legislation at their meeting this week.

This legislation would amend the Agricultural Marketing Agreement Act of 1937 to exempt potatoes for all types of processing from federal marketing orders. Obviously, the legislation has far-reaching implications to all potato growers—whether they produce potatoes for the fresh market or for processing.

Because of this fact the AFBF Board of Directors recommends that the Subcommittee delay action on this bill until potato producers have been given more opportunity to review its effect on them and the marketing order program. The Farm Bureau will make this legislation a subject for consideration by our members in our organization's policy development process during the coming months.

We therefore urge that any action on this legislation be delayed until early next year.

We would appreciate this letter being made a part of the hearing record.

Sincerely yours,

MARVIN L. McLAIN,
Legislative Director.

POTATO PROCESSORS OF IDAHO,
Pocatello, Idaho, June 12, 1969.

HON. THOMAS S. FOLEY,
*Chairman, Committee of Domestic Marketing and Consumer Relations,
House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN FOLEY: On Monday, June 9, 1969, I had the opportunity to present testimony in behalf of the Potato Processors of Idaho Association on proposed Bill HR 11243. During the hearing, some statements were made which gave entirely the wrong impression about the potato processing industry. The purpose of this letter is to attempt to give you the correct information about the potato processing industry and, if possible, to enter this letter as a part of the hearing record.

(1) John Mooers, President of Maine Potato Council, Houlton, Maine, stated, "Processors want to use culls and other low grades of potatoes because they get them for practically nothing. These low grades often include rotten, damaged and otherwise unuseable potatoes, but by the time they are put through the process they have changed form. The unsuspecting consumer buys a finished product that she would refuse to buy if she could see the raw product that it was made from."

(2) Mr. Bruce O. Nichols, Coordinator for NFO, stated, "Much of the potatoes processed for processing are cull potatoes purchased for ten cents per hundred weight or even ten cents per ton. The product is bought cheap because it is of low quality on the fresh market."

(3) Mrs. Ray Voss, active worker for NFO and wife of a potato grower from Pasco, Washington, stated, "In irrigated areas, management is so crucial as to verge on the impossible, unless of course, they aren't worried because you know you can get rid of your junk for a price—running it through your own plant."

In each of the above testimonies it is stated and/or implied that potato processors are obtaining extremely low grade potatoes of very questionable nutritional and quality standards. It is further suggested that potato processors are marketing a product which does not generally meet consumer demands, and is an inferior product. On behalf of the Potato Processors of Idaho, I'd like to emphatically state that this is not true. Potato processors who produce food items are generally purchasing field run potatoes, or in some cases, they obtain US No. 2 processing grade. In either case, the quality is excellent and compares favorably with the quality of the fresh potato in any supermarket.

Every processing plant is regularly inspected by FDA. The implication that extremely low grade potatoes or "junk" is processed is very misleading. The overwhelming consumer demand for processed potatoes should be evidence enough that the consumer is getting an excellent product. The term "cull" as used during hearings before your committee is generally misunderstood. To a grower who has been accustomed to selling his potatoes on the fresh market, any potato that is small or misshapen is called a "cull". In the potato dehydration industry size and shape are of secondary importance. A "cull" to a processor includes the green, not insect damage, etc. These potatoes are removed from the process and do not find their way into the final product.

Today, in the U.S., better than 42% of all potatoes are being processed and packaged to meet the growing demand for convenience foods. The USDA predicts this percentage will increase to 80% in the immediate years ahead. Already, Idaho is processing better than 65% of its entire potato crop.

As I stated in my testimony, "In marketing, we sometimes have a tendency to discount the consumer demands wherein lies our long term solution to our marketing problems. To be more specific, the potato processing industry is now tapping an entirely new potato market and have reversed the downward trend in consumption of potatoes. The processing industry can be the salvation of potato industry if allowed to operate in a free competitive business atmosphere."

The Idaho potato growers have been offered this year the highest pre-season contract in history. This is a very attractive price to the grower. The present price in Idaho for US #2 Processing Grade for dehydration, is generally \$1.50/cwt. at the source. Idaho had a high of \$2.00/cwt. earlier in the season for this dehydration grade.

Let me emphasize again that H.R. 11243 is urgently needed to save the dehydrated potato processing industry from possible economic disaster. The enclosed

pamphlet explains why your favorable consideration of H.R. 11243 will be greatly appreciated.

Sincerely,

F. W. "BILL" BERGESON,
Secretary-Manager.

TULELAKE GROWERS ASSOCIATION,
Tulelake, Calif., June 12, 1969.

HON. HAROLD T. JOHNSON,
*House of Representatives,
Washington, D.C.*

SIR: Mr. Willie Edwards, our representative at the hearings on HR 11243 and S 2214, has advised that a section of the Tulelake Growers testimony has been questioned.

Please incorporate the following statement in the Congressional Record, on our behalf:

"Records of potato growers and buyers of this general area verify that prices received by potato growers for "B" or cull grades averages approximately 10 to 12 cents per hundredweight. This is based on records from 1960 to 1969 average net to the grower."

We appreciate your assistance in helping to defeat this bill which would be so disastrous to the potato growers.

Yours very truly,

LARRY C. HAYNES, *President.*

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D.C., June 16, 1969.

HON. THOMAS S. FOLEY,
*Chairman, Special Subcommittee on Domestic Marketing and Consumer Relations,
House Committee on Agriculture, U.S. House of Representatives, Washington,
D.C.*

DEAR MR. FOLEY: The National Council of Farmer Cooperatives is in opposition to H.R. 11243, the proposed amendment to Section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, which would further limit eligibility of processing potatoes for federal marketing orders.

Our current policy statement on Marketing Agreements and Orders includes the following: "The National Council favors legislation for the continuation and liberalization of the marketing agreement and order type authority to provide for inclusion of additional commodities under the marketing agreement and order authority, and to specifically provide that fruits and vegetables for processing now excluded may make use of federal marketing orders and agreements whenever such orders or agreements affect the farmer-producer primarily and are approved by a majority of these producers affected. Whenever they regulate the processed product, such orders or agreements become effective only upon the voluntary assent of a majority of the handlers affected, and should be administered jointly by producers and handlers."

We recognize that problems do arise from different treatment for different types of handlers or processors, and endorse the suggestion of the U.S. Department of Agriculture spokesman before your Committee that "An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the Act."

We would appreciate it if you will include this statement as part of the hearing record on H.R. 11243.

Sincerely,

ROBERT N. HAMPTON,
Director of Marketing and International Trade.

SHELLEY, IDAHO, June 16, 1969.

HON. THOMAS FOLEY,
*Representative from Washington,
Washington, D.C.*

DEAR MR. FOLEY: I am writing this concerning an issue which I feel is of great importance to the farm and business people of Eastern Idaho. The issue

is whether or not the potato processors should be exempt from potato marketing orders.

My interests in this are:

1. I am the District Conservationist for the Soil Conservation Service and as such meet with and talk to many farm and business people. The farmers and small businesses alike are fighting a battle for survival, with few exceptions. Part of my duties are to help these people bolster their economy.

2. I am a member of the Bingham County Technical Panel. This Panel about a year ago named the number one problem of the county as being low farm income.

3. For sometime now I have been acting in the capacity of secretary of a committee to eliminate poverty in Bingham County. So far we haven't found a solution, primarily because of low farm prices over which we have no control.

The O.E.O. reported one family in five in the County as living in poverty. The people mostly affected are farm laborers, small farmers and people who have retired or in some other way depend upon agriculture for income.

4. I am a farm owner depending upon a share lease. So far the farm has not been profitable except for one year, 1964, which was a good price year for potatoes because it was a short crop. I would like to make this a profitable enterprise. If my renters can't make it neither can I. The farmer's desire to make a profit is just as great and right as anyone's.

The big money crop in Bingham County is potatoes. The economy is primarily influenced by agriculture. This issue could have considerable effect on the farm price of potatoes and influence on the economy of all Eastern Idaho.

President Nixon in an address Feb. 3, 1969, to the Department of Agriculture stated, 'I know that the Secretary in his opening statement made it quite clear that one of the first priority assignments of his administration of this department would be to see to it that America's farmers received their fair share of the increasing growth and wealth and productivity of the Nation.'

That the farmers are not now enjoying their full share was confirmed by Under Secretary of Agriculture J. Phil Campbell in an address before the American Turpentine Farmers Ass'n Cooperative in Valdosta, Georgia, April 16, 1969. He said, "There isn't a person here who does not know that agriculture has excess productivity—a capacity to produce more than the market will take. And every person here knows that this has been for years, and is today, a major reason why farm people have less than \$3 of income per person for every \$4 nonfarmers have."

Marketing orders, while not affecting the productivity directly does have some effect on the quality, size and amount placed on the market.

Today about 80% of the potatoes grown are marketed through the processors. The percentage is growing each year. The number of outlets is becoming smaller. Independent shippers, like farmers, have been and are being forced out. Marketing through processors has mushroomed indicating an economic advantage to them. Part of that economic advantage comes from a sizable quantity of potatoes at a cost to the processor much below the farmer's cost to grow them.

It is common practice for the processor to sell select potatoes on the fresh market and process the lower grades and small sized potatoes. Prices to farmers for culls and small size run 10 cents per cwt. and some years amounts to one-fourth or more of the total crop. The Russet potato, while a high-quality potato, is difficult to grow and is grown with a high percentage of culls and undersized potatoes because of climate and varietal characteristics.

While these low-priced potatoes may cost a little more to process than U.S. No. 1's, when in the package they are worth just as much and do effect a lower price to the farmer for better quality potatoes.

To the processor they are highly profitable. The farmer grows them at a cost many times the returns. These potatoes should be kept off the market or the processor should pay a fair price for them.

Farmers are disadvantaged in dealing with processors:

1. Processors are more quickly and better informed on potato supplies, end product supplies, price trends, weather influences and other factors which give them definite bargaining advantage.

2. Farmers are usually better equipped, qualified and informed to produce than they are to market. Processors have trained personnel for singular responsibility.

3. Farmers decisions are too often influenced by the need for cash to pay taxes, notes and mortgages. Money lenders require contracts although these contracts may, and often do, disadvantage the farmer.

4. Unorganized the farmer has little bargaining power. He can bargain only with an employee who has limited leeway to make price concessions for the company. The result is a one-way deal.

I realize that marketing orders cannot alone correct the inequities of the industry, but I see no fairness nor sense in eliminating 80% or more of the marketing from marketing orders to the disadvantage of the growers.

I recommend that marketing orders apply to processors including canners and freezers.

While these conclusions are my own, I think they are consistent with the declaration of the President and of the Dept. of Agriculture and with their objectives of restoring to the farmer his fair share of the growth, wealth and productivity of this Nation and of Eastern Idaho.

Sincerely yours,

MARK E. HILL.

FACTORS AFFECTING POTATO MARKETING AND PRICES

(Presented by G. B. Wood, Oregon State University)

In developing this topic, I would like to do three things. First, I would like to establish some bearing points relative to the potato industry. In other words, I would like to establish what we know about this industry. Second, I would like to review the potato situation. Third, I would like to take a look at the future, to see what we need to know to have a sound progressive potato industry.

SOME BEARING POINTS RELATIVE TO THE POTATO INDUSTRY

The potato industry has been going through a rather substantial revolution in recent years. There are fewer but larger potato farms than at any time in the history of this industry. They are not only specialized, mechanized farms, but they are well integrated with contract production being commonplace in the industry. In recent years, there has been a rather marked change in the regional production pattern of potatoes. For the most part, acreage has stabilized in the Midwest and East, but it continues to expand in the West. At the same time, yields are up particularly in the West and in Oregon. Processing opportunities are now an important ingredient in the successful potato business. In some cases, processing opportunities are absolutely necessary for the survival of the business.

The potato industry has one of the highest rates of instability in both prices and income to growers to be found anywhere in agriculture. The year-to-year variation in prices received for potatoes, when compared to variations in the general farm price level, averages about 47%. This variation is five to eight times greater than the price variation on a year-to-year basis for most field crops. When compared with meat animals, hogs have a year-to-year price variation around the general farm price level of about 16%; and beef cattle have a year-to-year price variation of about 11%.

This instability in prices arises primarily from two factors. First, from the very highly inelastic demand for potatoes; and second, from yearly variation in potato production. The demand inelasticity for potatoes is about -0.20 . This means that a 1% change in production causes about a 5% change in price, inversely. Consumers want about 110-112 lbs. of potatoes per person per year regardless of the mix in which those potatoes are purchased. It is interesting to note that recent variations in potato production have averaged about 8% per year. About three-fifths of the variation in production is due to variations in potato acreage. The other two-fifths of the year-to-year variation in production is due to changes in yield. The potato industry is highly vulnerable to instability, due to the large investment involved, the high cost of production and the financial commitments necessary to bring in a crop.

In most years, the industry has had to rely upon some disposal or diversion program to bring market supplies within reasonable balance to demand. Since the 1950's, the industry has seen potato supplies brought into balance with demand either through weather effects or some form of government program. The potato surplus is estimated to be about 5 to 6% per year. The situation is further complicated by the fact that potato surpluses are very difficult to handle.

The industry has relied upon marketing orders to provide some sort of equity in the supply-demand balance. Currently, marketing orders are operative in six areas and cover about 70% of the late crop potatoes. These marketing orders have been most effective in quality improvement. In addition, the United States Department of Agriculture has issued marketing guides to provide a suggested level of production which is likely to result in a realistic price. It appears that these marketing guides have had little effect on the production-marketing balance. On the average, growers have overplanted about 5% based upon the USDA marketing guides. In the late crop potato areas, the overplant has run about 8% per year.

THE 1967-68 POTATO SITUATION

Total potato production amounted to 305.9 million hundredweight in 1967 which was slightly below the 1966 record tonnage. 1967 potato yields, however, averaged about the same as the 1966 record high of 210 hundredweight per acre. The average production per acre in the 1961-65 period was 200 hundredweight. One complicating factor in 1967 was the record tonnage of fall potatoes, about 2% above the 1966 period.

Potato prices were relatively strong into the late summer of 1967 and began to decline as the harvest accelerated. By December '67, the average farm price of potatoes was \$1.69/cwt., nearly 25% below a year earlier and the lowest December price since 1963. In terms of parity prices, the December 1967 average price was at 59% of parity as compared to 77% of parity in December '66. Idaho Russet potatoes, for example, were \$2.72/cwt. FOB shipping point in January 1968 as compared to \$4.46 a year earlier. Oregon Russets in January 1968 were \$2.72/cwt. compared with \$5.18 the previous year. To help relieve this low price situation, a Section 32 diversion and purchase program was initiated in January 1968.

When one begins to examine the buildup of this unfavorable potato year in 1967, all that is needed is to go back to the 1964 year when freezing weather brought the highest potato prices in about 40 years of record. Acreage expanded 8% in 1965 over 1964; another 5% in 1966 over 1965; and in 1967 acreage increased another 2% over 1966. Harvesting weather in the fall of '67 was excellent and storage losses were at a low level. As a result, the 1967 year started with about 9% larger stocks than were on hand in 1966. Larger stocks coupled with a buildup in production in the face of a rather constant total demand for potatoes presented a troublesome situation. What resulted in 1967 was very unprofitable prices to potato growers throughout the country.

In 1968, the fall potato crop was down from 1967 in all regions of the country. In December, the fall potato crop was 5% less than last year. All together, the total U.S. potato crop was down about 4%. As a consequence, potato stocks on January 1, 1969, in all fall producing areas were approximately 8% below the record holdings of 1967. In Oregon, January 1 holdings were 5.7 million hundredweight, down nearly 6% from last year. In the Western states, stocks were 11% below a year ago.

The smaller supply of potatoes had a corresponding effect on potato prices. As of January 10, 1969, U.S. No. 1A Idaho Russets ranged from \$4.30 to \$4.60/cwt. FOB Idaho Falls. These prices were from \$2.60 to \$2.80 above a comparable range a year ago. In Chicago, FOB price was \$6.00. In Oregon, the unwashed U.S. No. 1A Russets ranged from \$3.50 to \$3.60/cwt. in the Klamath Basin. This situation again typifies the high instability that confronts the Oregon and U.S. potato industry.

WHAT ABOUT THE FUTURE?

It seems to me that one of the most urgent things that needs to be done for the potato industry is to find ways of reducing price instability which will contribute to improved grower returns. This industry is now big business. It is a business with high costs and high financial commitments. It requires a substantial investment. Diversion and disposal programs are not the long run solution to this price instability. Some form of industry managed production seems essential for the successful continuation of this industry. Studies need to be directed toward means by which the demand for potatoes can be manipulated to the benefit of this industry. Most people don't have answers to these questions. Answers will be found in very carefully directed *programs of research and development by both industry and by our Land-Grant Universities.*

The future of this industry lies in the application of science and technology to the potato business. Processing outlets apparently hold the key to area ex-

pansion. The potato is now a raw material which is manipulated in many ways to develop new food products that will challenge the imagination of the consuming public. Undoubtedly, the development of the processing segment of your industry will continue to be the most glamorous part of the potato business. The Oregon potato industry generates about 22 million dollars of income for our state. The value added by the various processing segments, however, amounts to about 36 million dollars which provides a total income generation of 58 million dollars for Oregon's economy.

If the application of science and technology to your business is to be realistic in the years ahead, your industry must contribute more private support to research and development. It seems to me that your industry has a real stake in this kind of investment. It has been *estimated by some of our people at Oregon State University that investment in research can pay big dividends—as much as 30% on each dollar invested in research.* Any member of your industry who operates his business today as he did three or four years ago is either obsolete or is on the verge of becoming so. The biggest problem that most industries face is to keep up with the times. It is important to know what is going on. The availability of information that will "create change" in the potato business will never be as important to you or as costly to you as it will be in the future. But this is the kind of information which pays those handsome dividends and which prevents obsolescence.

Mr. SISK. That concludes the witnesses listed on this particular legislation; unless there is a witness that has been overlooked in the room. The committee wishes to thank all of you, many of you who have come from great distances, to testify on this subject. The hearings are closed.

The committee is adjourned.

(Whereupon, at 4:20 p.m., the committee was adjourned.)



The committee is now in a position to report to the public on the results of its investigation. It has found that the evidence is not sufficient to establish the guilt of the accused. The committee is therefore recommending that the accused be released from custody. It is also recommending that the government should take steps to improve the legal system and to ensure that the rights of the accused are protected.

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