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INCREASE DURUM WHEAT ALLOTMENTS

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HEARING
BEFORE THE
SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
NINETY-FIRST CONGRESS
FIRST SESSION
ON
H.R. 485

JULY 23, 1969

Serial O

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INCREASE DURUM WHEAT ALLOTMENTS

WEDNESDAY, JULY 23, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Montgomery, Rarick, Jones of North Carolina, Sisk, Melcher, May, Mayne, Zwach, Kleppe, and Sebelius.

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

Mr. PURCELL. The subcommittee will come to order. We are here today to hear Mr. Bizz Johnson, and others from the Department—Mr. Nash, and Mr. Baghott—on increasing the Durum wheat allotment in California.

I say to you, gentlemen, that it is regretful that we have so much going on today and we do not have more members here, but we are glad to have you.

(H.R. 485 by Mr. Johnson of California follows:)

[H.R. 485, 91st Cong., first sess.]

A BILL To amend the Agricultural Adjustment Act of 1938 with regard to wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That subsection (j) of section 334 of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1334), is amended to read as follows:

“(j) Notwithstanding any other provision of this Act, the Secretary shall increase the acreage allotments for the 1969 and subsequent crops of wheat for privately owned farms in the irrigable portion of the area known as the Tule-lake division of the Klamath project of California located in Modoc and Siskiyou Counties, California, as defined by the United States Department of the Interior, Bureau of Reclamation, and hereinafter referred to as the area. The increase for the area for each such crop shall be determined by adding, to the extent applications are made therefor, to the total allotments established for privately owned farms in the area for the particular crop without regard to this subsection (hereinafter referred to as the original allotments) an acreage sufficient to make available for each such crop a total allotment of twelve thousand acres for the area. The additional allotments made available by this subsection shall be in addition to the National, State, and county allotments otherwise established under this section, and the acreage planted to wheat pursuant to such increases in allotments shall not be taken into account in establishing future State, county, and farm acreage allotments except as may be desirable in providing increases in allotments for subsequent years under this subsection for the production of Durum wheat (class II). The Secretary shall apportion the additional allotment acreage made available under this subsection between Modoc and Siskiyou Coun-

ties on the basis of the relative needs for additional allotments for the portion of the area in each county. The Secretary shall allot such additional acreage to individual farms in the area for which applications for increased acreages are made on the basis of tillable acres, crop rotation practices, type of soil and topography, and the original allotment for the farm, if any. The increase in the wheat acreage allotment for any farm under this subsection shall be conditioned upon the production of Durum wheat (class II) on the original allotment and on the increased acreage. The producers on a farm receiving an increased allotment under this subsection shall not be eligible for diversion payments under section 339."

Mr. PURCELL. My list shows that Mr. Freeman is to testify first. Is that all right with you, Mr. Johnson?

Mr. JOHNSON. Fine. And then I will bring my two men on here.

Mr. PURCELL. Mr. Claude B. Freeman, we will be glad to hear from you at this time.

STATEMENT OF CLAUDE B. FREEMAN, DEPUTY DIRECTOR, GRAIN DIVISION, AGRICULTURE STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY VICTOR SENECHAL, GRAIN DIVISION, ASCS, AND WEAR K. SCHOONOVER, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. FREEMAN. All right, sir.

Mr. PURCELL. Will you give the names of the other gentlemen for the record?

Mr. FREEMAN. Yes, sir; I will.

Mr. Chairman and members of the subcommittee, my name is Claude B. Freeman. I am Deputy Director of the Grain Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture. I am accompanied this morning by Mr. Victor Senechal, also of the Grain Division, ASCS, and Mr. Wear K. Schoonover, Office of the General Counsel, USDA. I am glad to have the opportunity to discuss with you H.R. 485.

This bill, H.R. 485, would require the Secretary to increase the acreage allotments for the 1969 and subsequent crops of wheat for privately owned farms in the irrigable portion of the Tulalake area in Modoc and Siskiyou Counties of California. The increase for the area for each crop year shall be determined by adding, to the extent applications are made, to the total allotments established for privately owned farms in the area, an acreage sufficient to make a total allotment of 12,000 acres for the area.

The increase in the wheat acreage allotment for any farm under this subsection shall be conditioned upon the production of Durum wheat (class II) on the original allotment and on the increased acreage. The additional allotments made available under provisions of this bill shall be in addition to the national, State, and county allotments otherwise established and the acreage planted to wheat under the increase in allotments shall not be taken into account in establishing future State, county, and farm allotments. The producers on a farm receiving an increased allotment under this subsection shall not be eligible for diversion payments under section 339.

The Department does not favor enactment of this bill. Our reasons for taking this position are as follows:

First, this proposed legislation would give preferential treatment to producers in a relatively small area in Modoc and Siskiyou Counties. This would not be equitable to the many other areas of the Nation where farm allotments are relatively small and the production of wheat is more profitable than any other crop.

Second, the current wheat program is a voluntary program. Consequently, producers can elect to forgo program benefits and plant as many acres of wheat as they desire. Although no program payments would be made in such a case, all of the wheat produced could be marketed without restriction.

Furthermore, there is a considerable acreage of barley produced in the Tulalake area of California. Consequently, under the substitution provision the wheat and feed grain program producers having both a wheat allotment and a barley base acreage can produce wheat in lieu of barley and still be eligible for wheat certificates on a specified percentage of their wheat allotments.

The current outlook for wheat producers is very dismal. Supplies in the United States and in the world have been building up rapidly. Export markets have diminished. The Department has reduced the national wheat acreage allotment substantially since 1967.

More specifically, Durum wheat production in 1968 totaled 98 million bushels. This added to 1967-68 carryover stocks of 23 million bushels, which results in a total Durum wheat supply for the current marketing year of 121 million bushels. Domestic consumption is estimated at about 32 million bushels. With exports during the 1968-69 season of about 47 million bushels, the carryover into the 1969-70 marketing year will be around 42 million bushels, more than enough to meet domestic requirements for a full year. Another large crop is expected for 1969. The July 1 estimate was 88 million bushels. Durum wheat stocks in all positions on April 1, 1969, totaled 67.5 million bushels, 46 percent above a year earlier, and 49 percent above 2 years ago. Durum wheat exports in 1969-70 may fall considerably below the high level reached in 1968-69. In the face of the current supply situation for Durum, as well as all classes of wheat, we do not feel it would be advisable to increase allotments and production of any class of wheat, even though the acreage involved is minor.

Furthermore, it would seem that the Durum wheat producers in the Tulalake area are in an extremely fortunate position at the present time because the west coast production of that class of wheat is less than the demand in that area. This results in their receiving a more favorable price for this commodity. Other wheat producers in the Nation are not so fortunate. There is the risk that if the allotments were increased in the Tulalake area to the extent felt necessary to supply prospective demand, the prices received by farmers would fall. The total supply of Durum in the Nation is substantially more than enough to satisfy all domestic and export requirements. While it is true that west coast processors would need to pay a higher price for Durum wheat produced locally, or substitute to some extent other classes of wheat, nevertheless, an ample supply is available.

Under the provisions of this bill, producers in the Tulalake area would receive larger certificate payments in proportion to their increased allotments but without a commensurate increase in the domes-

tic food use of wheat. Therefore, since the bushel amount of domestic wheat certificates that can be issued nationally in any one year is limited to the quantity of wheat it is estimated will be used for domestic food, the issuance of additional domestic wheat certificates to Tulalake area producers would, of necessity, result in less certificates for other wheat producers in the Nation.

Under the proposed bill these growers would be offsetting, to some extent, the purposes of the overall wheat adjustment program while at the same time would be receiving an increased quantity of wheat certificates. Although the bushel amount of additional certificates involved under this bill would be relatively small, there are a number of other wheat producing areas in the Nation where farmers have indicated a need for additional wheat allotments to assure a more economic operation. If all of these requests were approved, the bushel amount of certificates involved would be substantial.

We sincerely feel that the disadvantages which would result from favorable action on this bill outweigh the measure's potential advantages.

Mr. Chairman, I would like to add, in addition to that prepared statement, just a few more words if I might.

Mr. PURCELL. All right, sir.

Mr. FREEMAN. There has been reference made, I think in discussing this within the Department and with people from the affected area, that there is some precedence for this increase being granted in this area. Well, certainly, increased allotments were granted to this area in the past but the wheat program in effect at the time was substantially different than the program now. It was the mandatory marketing quota program in which, if you produced excess wheat above your allotment, there was a marketing quota penalty. At the time this increase was granted in the past, these people were given increased allotments, the wheat was not eligible for price support, and we say that the alternatives open to them now without additional legislation are identical to what it was at the time this increase was granted in the past. In other words, they can produce extra wheat and forgo price support right now without the marketing quota penalty.

Mr. PURCELL. They have not been granted the temporary increases since the wheat certificate went in?

Mr. FREEMAN. That is right; yes, sir.

Mr. PURCELL. Are there any other additions to your statement, Mr. Freeman?

Mr. FREEMAN. No, sir.

Mr. PURCELL. All right.

Mr. Sisk, do you have a question?

Mr. SISK. Not at this time, Mr. Chairman.

Mr. PURCELL. Mrs. May?

Mrs. MAY. Not at this time, Mr. Chairman.

Mr. PURCELL. Mr. Mayne?

Mr. MAYNE. No; Mr. Chairman.

Mr. PURCELL. Mr. Melcher?

Mr. MELCHER. No; Mr. Chairman.

Mr. ZWACH. No questions.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. Mr. Freeman, I notice in your statement you refer to wheat which, in your connotation of the word, includes Durum?

Mr. FREEMAN. Yes, sir.

Mr. KLEPPE. Specifically, is this done because they are handled the same way under the farm program—

Mr. FREEMAN. Yes, sir.

Mr. KLEPPE (continuing). Even though there is a considerable difference in the utilization of the product?

Mr. FREEMAN. Yes, sir. As far as the wheat allotment, and so on, goes, we do not break it down by class of wheat. Wheat is wheat, as far as the production adjustment program is concerned.

Mr. KLEPPE. That is why you refer to it as you do.

Mr. FREEMAN. Yes, sir.

Mr. KLEPPE. All right.

On page 3 of your testimony you indicate that Durum wheat exports in 1969-70 may fall considerably below the high level reached in 1968-69.

Now, do you have this in here to indicate that this is a warning to us, that we are going to have a surplus of Durum; that is, above and beyond domestic consumption and exports?

Mr. FREEMAN. Yes, sir; I think we are.

We anticipate, because of increased competition around the world, that we will not attain the same level of Durum exports that we did in the year just ended.

Mr. KLEPPE. Well, do you not believe there is a difference in the competitive or production aspect of Durum around the world as compared with wheat?

Mr. FREEMAN. Other classes; yes, sir. There is a difference between the two.

Mr. KLEPPE. But you still stand by your statement that you think we are going to have a surplus of Durum?

Mr. FREEMAN. We are going to build up supplies, yes, sir, over what they have been.

Mr. KLEPPE. Well, I am sure you understand the reason why I am so concerned with this. We have the largest Durum producing State, and my people, my Durum people, are not opposed to this from the standpoint of the Durum produced out in that particular area. The transportation costs are too high to get our Durum out there for domestic consumption, plus the fact that none of this Durum supposed to be produced off this 6,000 additional acres, is available or will be used for export purposes. So, I am concerned about your statement here that you believe that we are going to get into a surplus position on Durum after the 1969-70 crop year.

Mr. FREEMAN. Well, now, it is awfully difficult—

Mr. KLEPPE. That is, without these additional 6,000 acres, which are small in themselves.

Mr. FREEMAN. Yes, sir.

Well, it is awfully hard to say, Mr. Congressman, whether we will or will not. We will certainly make every effort we can in the Department to export every bushel of wheat, Durum or any other class of wheat that we can, and, as you can appreciate, the world situation changes. There is always somebody harvesting, or there is a drought someplace, or something.

Mr. KLEPPE. Is it not actually true that we are doing pretty well from the standpoint of supply and demand on the production of Durum?

Mr. FREEMAN. Yes, sir; we are right now. But, as we can all appreciate, I think the situation can—because it is basically agricultural and seasonal in nature not only nationally but internationally—change rather suddenly.

Mr. KLEPPE. Now, then, on the top of page 4 you made a statement that under the provisions of this bill, producers in the Tulalake area would receive larger certificate payments in proportion to their increased allotments. I do not quite understand that portion. Would you expand on that a little bit?

Mr. FREEMAN. Well, say in the last year, 1969 wheat program, the allotment percentage is 43 percent, 43 percent of the projected production from your allotment acres. As the allotment goes up, so would their certificates. It probably is worded in bureaucratic language, but what it means is that it would go up just like—these allotment acres they get additionally would be counted just like the original allotment. They would get 43 percent, if that be the allocation percentage, of the increased allotment, just as they had the original allotment.

Mr. KLEPPE. Well, where does the mathematical computation come in that proportionately they are going to get larger certificate payments?

Mr. FREEMAN. Well, it seems to me if their allotment were to be doubled, their amount of certificates would be doubled.

Mr. KLEPPE. Well, I do not question that. I do not question that the total amount is not going to be greater, but proportionately?

Mr. FREEMAN. Proportionate to the increase. The amount they get additionally would go up in proportion to the allotment increase. It may not say that in plain English, but that is what is meant.

Mr. KLEPPE. That is not so clear to me, but I guess it is not important. I was just curious about it.

I guess those are all of my questions.

Thank you very much, Mr. Freeman.

Mr. PURCELL. Mr. Sebelius, do you have questions?

Mr. SEBELIUS. No, no questions.

Mr. PURCELL. Now, last year when we had this bill up here, did the Department testify against the bill last year?

Mr. FREEMAN. I do not believe we testified last year. I think we submitted a legislative report. We did not testify; we merely submitted a legislative report, a negative legislative report, on it.

Mr. PURCELL. And then the committee passed the bill, the subcommittee and the whole committee, and we got it out of the House last year; is that not correct?

Mr. FREEMAN. I do not know.

Mr. PURCELL. At any rate, this has been tried two or three times, and either the Senate or the House has always failed to pass it during the time since this wheat certificate came into effect.

Mr. FREEMAN. Yes, sir.

Mr. PURCELL. Are there any other questions of this witness?

Mr. SISK. Mr. Chairman, I would like to ask Mr. Freeman if he has any information as to how much Durum wheat is shipped into California from other areas in the country?

Do you have any figures on that?

Mr. FREEMAN. No, sir; we do not. I would hazard a guess that, because of the transportation differential, Durum wheat is probably not shipped into this area, but perhaps products, manufactured products, are shipped in for use in the area, because, I think, of the transportation advantage of products from mills in the Midwest.

Mr. SISK. It is my understanding that we have a substantial deficit of Durum wheat, which is in demand in California. I understand that once it has been harvested, it is immediately sold.

What they seem to do is use their local market. I was curious to know if you had any figures as to the actual use of this wheat.

Does this wheat come from some other area where it is in surplus, such as, I believe, the area of my colleague, Mr. Kleppe, the Dakotas? I was curious to know if there is a substantial increase that would not affect the sale of wheat from that area? It is my understanding that it would not. I just wanted to verify if you had any figures on this situation.

Mr. FREEMAN. I would say it certainly might, because, as I say, I think the transportation situation is such that that Durum wheat as wheat is not moved down there, but I feel confident that products are, because I do not think that area is begging productwise for the products that would come from Durum wheat.

Mr. SISK. That is all, Mr. Chairman.

Mr. PURCELL. Are there any other questions?

Well, Mr. Freeman, you and your colleagues will be able to stay here with these other short witnesses, will you not?

Mr. FREEMAN. Yes, sir.

Mr. PURCELL. I would like to clear the record up.

I do not find, Mr. Johnson—I just testified that the witnesses were short, and I want to have the record corrected to say that I do not see any short witnesses. Maybe your statements will be short.

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. JOHNSON. Well, believe me, Mr. Chairman, this is a very complicated subject matter.

Mr. Chairman, members of the committee, I have with me here Mr. Lyonel Nash, chairman of the Tululake Durum Wheat Committee in Tululake, Calif., and Mr. Ken Baghott from the University of California at Tululake.

Now, I would like the opportunity to submit my formal statement that I have prepared for the committee's hearing this morning, and to save time I would like to get to the two witnesses with their statements, because they are on the ground and doing the job.

But, as the Congressman representing this area since 1959 and my predecessor, the late Clair Engel, both of us have had legislation before this committee ever since we were in Congress dealing with the Durum wheat situation.

In the Tululake Basin when this great basin was reclaimed for the most part and made available for homesteading, these people moved into the area and settled on these homesteads.

These are very small farms, and if we are ever going to do anything for the small farmer, I think we have to recognize local conditions. Durum wheat is a very fine crop, a money crop, for this

particular area, and it is only grown in the Tulelake area, the eastern part of Montana, the State of North Dakota, and the Red River Valley in Minnesota.

Due to the location of Tulelake, as far as the market is concerned, our wheat, Durum wheat, always goes into the Northwest, and all of it is milled there and used in the manufacture of paste products. Very little of this, if any, is exported in the form of Durum wheat.

There is very little Durum wheat exported from the other areas to the west coast, and there is not too much in the way of paste products that this is put into. Therefore, I think the committee, over the years, has given consideration—and the last favorable consideration was given in 1963.

Naturally, the barley program that was mentioned here today was added, but it does not help us very much.

We are faced with the same thing with barley. We can grow good barley, but in these limited acreages on these farms, to ship barley east, we are faced with the transportation costs, just like the Durum wheatgrowers in Minnesota, North Dakota, Montana, in trying to get their products to the West.

So, I think we are faced here with about five crop patterns up there that are grown by our small farmers, and these are all good farmers. Most of these people are all veterans out of the war, World War II, when this was reclaimed and made available to them and passed on to their sons, and the young people have stayed in this area and carried on a farming enterprise there, and I think that is a very healthy community from the standpoint that it is supported by agriculture there.

So, we do have to give consideration wherever we can, I think, to keep people on the farm, keep people out of the big cities.

I would certainly like to see this committee give every bit of consideration possible to an increased acreage. We are not asking for very much at the present time. They are growing somewhere in the neighborhood of 5,000 acres of Durum wheat on the private lands and very little on the public lands.

They are asking for consideration of an allotment up to 12,000 acres. An allotment of 12,000 acres of wheat is not too much. I am sure that you gentlemen would agree with that. And the total acres that are available for farming in this area on private lands amount to about 40,000 acres, I believe, in the overall.

So, you see, this is a limited farming enterprise, but there are a good many families making a good, clean living, farming about five to six crops, and Durum wheat is one of their very fine cash crops.

I would ask that we listen to our two witnesses here—and I realize that when we get into a farm program the arithmetic and the formulas and everything else comes into it. I tried to explain to you the situation there locally, as is understood by a lay person in this farming business, but I hope that you people will be able to listen to the two witnesses here, ask them the technical questions, and I will remain here with them until we complete our testimony.

There was mention made today about the certificates.

I do not think there is any real problem there at all, and the two witnesses will bring that out I am sure, because they have been in the business, they understand it, and they are growers trying to make a living at the present time in that area. So, I thank the committee for

listening to me. I hope my statement will be placed in the record and that we move on now to Mr. Lyonel Nash, the chairman of the Tulelake Durum Wheat Committee.

Mr. PURCELL. Without objection, the entire statement of Mr. Johnson will be placed in the record at this point.

(The statement referred to follows:)

STATEMENT OF HAROLD T. (BIZZ) JOHNSON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, the intent of this bill is to grant to Tulelake Basin farmers within the confines of the Tulelake Irrigation District of Modoc and Siskiyou Counties of California, a permanent durum wheat allotment of 12,000 acres. Much of the land in this basin is publicly owned. However, this legislation deals only with 40,840 acres of land under private ownership. The entire basin was homesteaded by World War I and II veterans and is farmed intensively. No other land in this area can be brought under cultivation.

In 1956 and 1957 Congress granted a 2-1 acreage increase in durum wheat to North Dakota, South Dakota, Montana, Minnesota and the Tulelake Basin. In 1958 Congress approved special legislation granting a minimum of 8,000 acres of durum wheat to the Tulelake Basin. Subsequently, other special, temporary legislation was enacted for the purpose of building up permanent wheat allotments in Tulelake. Unfortunately, this has not been accomplished.

Instead of obtaining permanent allotments of up to 12,000 acres as Congress had intended, Tulelake farmers have only 4,698.5 acres of allotments on private-owned land.

West Coast consumption of pasta products is 2,099,064 hundredweight. Planting the entire acreage allotment and assuming a high yield of 4800 pounds per acre will produce 225,528 pounds of durum. On the basis of 71.5 pounds of semolina from 100 pounds of durum we need 2,600,000 hundredweight of durum to meet the West Coast need alone.

It should be emphasized that Tulelake durum wheat has never been put under loan. Actually, this durum is always sold within four months of harvest.

In its report to this Committee, the Department of Agriculture mentions that the wheat program is a voluntary one and that growers can forego program benefits and plant unlimited acreages. This restricts the raising of durum to only allotted acreages. The profit made by farmers now is reflected in the price paid by millers for the Domestic Milling Certificates. Actually, the government makes a profit on all of the durum that is milled.

With small Tulelake homesteads of 70 acres or less the barley substitution program is unprofitable. Most farmers in Tulelake have only a small barley base and they cannot afford to leave 20 per cent of their farms fallow to qualify under the barley substitution program.

The Southwest Miller reports that durum acreage planted is 9 per cent less this year than 1968. This means that approximately 12 million bushels less durum will be produced than in 1968. The U.S. Durum Growers also report on July 1, 1969, record exports of durum for the past 12 months. Exports exceeded 50 million bushels compared to 31 million bushels last year. This is 163 per cent of last year compared to 110 per cent for Hard Red Spring wheat, 62 per cent for Hard Red Winter wheat, 33 per cent for Soft Red Winter wheat and 57 per cent for White wheat.

Up until the National Wheat Program was adopted the Tulelake Basin was noted for its malting barley. Tulelake barley was shipped to maltsters throughout the United States. With the adoption of wheat allotment and acreage controls the major wheat producing acres started planting malting barley on the land formerly planted to wheat. This has resulted in a surplus of malting barley and a drastic reduction in malting barley price. Tulelake now markets malting barley only to West Coast maltsters. Freight rates are too high to allow malting barley to be shipped East to compete with midwest barley. Also, foreign shipments of malting barley to the United States further restricts Tulelake sales.

Mr. Chairman, it should be emphasized at this point that the demand for durum wheat to meet the needs of the manufacturers on the Pacific Coast is such that the entire area could be planted to durum without satisfying the complete demand and, therefore, a 12,000 acre allotment is not unreasonable in that there will be a permanent market for this product.

I feel that the earlier legislation, the most recent of which is found in Public Law 88-64 approved by the House of Representatives on July 8, 1963, on the recommendation of this Committee and signed into law nine days later, establishes the precedent which we base our hopes on today.

In conclusion, Mr. Chairman, I want to say that the National Durum Growers Association have gone on record approving H.R. 485. This association is comprised of Midwest durum farmers. They can see the need for this legislation which will not hurt their sales of durum due to freight rates from the Midwest to the West Coast. There is no surplus of durum wheat on the West Coast, in fact there is a shortage.

This bill will not cost the government a dollar—in fact, the government will make a profit from the milling certificates paid for by West Coast millers.

Since there is a need for additional West Coast durum wheat, there is no cost involved for the United States and no other area will be hurt by H.R. 485. I respectfully ask for your approval of this legislation.

Thank you.

Mr. PURCELL. And we will be glad to hear from you, Mr. Nash, at this time.

STATEMENT OF LYONEL NASH, CHAIRMAN, TULELAKE DURUM WHEAT COMMITTEE

Mr. NASH. Thank you. I am Lyonel Nash, chairman of the Tulalake Durum Wheat Committee.

Mr. Chairman and members of the committee, we appreciate the opportunity to explain our problem to you. Ours is a small problem to everyone except us, and it means a great deal to the Tulalake farmer.

For those of you who are not familiar with our area, we are located in the northeast corner of California where Siskiyou and Modoc counties meet and join the State of Oregon. This is a high, slightly over 4,000 feet, mountainous, desert area, surrounded entirely by mountains. Frost can, and all too often does, occur in any month of the year. The soil is highly productive, but due to the climatic conditions and distance from markets only the heartiest types of crops can be raised, such as malting barley, and Durum wheat, alfalfa hay, and potatoes.

Prior to the time that we started growing Durum wheat in 1953 the Tulalake basin farmers were famous for our malting barley which was marketed throughout the United States, England, and South America, but with the advent of acreage allotment controls in cotton, rice, wheat, the acres previously producing these crops such as the midwest started raising malting barley on the deserted acres, and we lost our midwest malting barley market.

Today, the market for what malting barley we do produce is limited exclusively to the west coast. We are here to try to obtain legislation for the Tulalake Basin for a permanent Durum wheat allotment of 12,000 acres. Durum wheat can be raised in other areas of California, but it is not suitable for milling.

Mr. Baghott, who is with me here today, is an agronomist with the University of California and has sent seed to branch experiment stations throughout California and Oregon in an attempt to increase Durum production for the milling of the west coast. However, in no instance has Durum of noble quality been produced.

In 1953, when Durum was first introduced into Tulalake, it was determined to be a profitable crop. At that time, we asked the U.S. Department of Agriculture for a special Durum wheat allotment

for the Tulalake Basin. The Department informed us that first a west coast milling industry was needed and a market for semolina or Durum flour would have to be developed. This has been done. However, the wheat allotments which have been granted have not been sufficient to take care of either the milling needs or semolina needs of the macaroni manufacturer.

To satisfy the west coast potential consumption would require almost 3 million hundredweight of Durum. At the present time we are producing 240,000 hundredweight of Durum. The entire crop is sold on the west coast. None is shipped east or exported. In fact, one macaroni manufacturer, Golden Grain, of San Leandro, Calif., in a letter to me dated March 27, 1968, stated that they could use the entire 12,000-acre production for which we are asking.

Another company, General Mills, Inc., in a letter addressed to me, April 11, 1968—and here I would like to read this letter.

DEAR MR. NASH: In reply to your recent inquiry about a proposed increase in durum acreage the Tulalake basin, it appears that an increase from the current four to five thousand acres to twelve thousand acres would be highly desirable. California is a deficient state with respect to durum. It is estimated that the potential usage of durum within the state of California is a million four hundred thousand bushels annually. Competitively, the Tulalake area is in good position to ship either to Portland or to the San Francisco Bay area. Freight rates presently are equal.

With specific reference to the durum grown in the Tulalake area, we will continue to buy it as we have in the past 10 or 12 years, provided that the quality is suitable for use in the production of durum flour. The production of durum in the Tulalake basin has been an interesting development, and we believe that the continued production of durum will be mutually beneficial to growers and consumers alike.

Very truly yours,

GENERAL MILLS, INC.,
PAUL T. TAYLOR,
General Manager, California Grain.

MR. MAYNE. What is the address of the sender of that letter?

MR. NASH. General Mills, Inc., Speri Operation, Post Office Box 1073, Palo Alto, Calif.

MR. MAYNE. Thank you.

MR. NASH. We have received communications from other users of our Durum on the west coast expressing the same opinion.

Last year, in 1968, approximately 5,000 acres of Durum was raised in the Tulalake Basin. There are 20,840 acres of privately owned land in the Tulalake area owned by 570 farmers. The legislation we propose would increase the existing allotments to 12,000 acres. This would double our existing production. Even if we planned the entire Tulalake Basin for Durum we could not completely satisfy the west coast market. Durum wheat is the only cereal crop that has consistently given the Tulalake farmers a reasonable net profit.

In 1967, farmers netted an average of \$47.25 an acre on Durum, \$19.50 on barley—that is per acre—while they lost \$5.50 per acre on alfalfa and lost \$70.55 an acre on potatoes. Fortunately, 1968 was a better year for potatoes than alfalfa hay.

Our request for additional wheat allotment acreage increase will not cost the U.S. Government or the taxpayer a cent; instead, more money will be taken in by the Government on wheat certificates from our area than is paid out to the farmers.

I would like to give an example, if I may.

If a farmer has a 20-acre allotment with an average yield of 80 bushels of per acre, using the Agriculture Department base of \$1.36 times 80 bushels times 40 percent of his 20-acre allotment, or 8 acres, the Government will pay the farmer \$870.40, but the Government is paid by the miller at the rate of 75 cents a bushel. If this farmer grew 1,600 bushels of Durum wheat, for this 1,600 bushels of Durum wheat the miller paid the Government \$1,200. The Government pays the farmer \$870.40, so the Government is ahead \$329.60.

If I may inject here: One part of our bill, on page 3, lines 5, 6, and 7, the last sentence stating:

The producers on the farm receiving an increased allotment under this subsection shall not be eligible for * * * and payments under section 339.

We would like to have that stricken from the bill. The reason is that the Government is going to lose 75 cents a bushel for this additional allotment, and if the farmer would not receive anything, this is actually our margin of profit. So, without this, it would defeat the whole purpose. We could not afford to raise it.

The Department of Agriculture has suggested the possibility of planting Durum on the barley substitution program provision. In order to do this, a farmer must leave 20 percent of his barley base idle. With our small farms, we cannot afford to do this, plus the fact the farmers do not get an allotment payment for the substituted acres, which, in effect, are, in reality, a profit made by the farmer.

Tulelake has the unique marketing situation for Durum wheat. The entire crop is always sold by the end of December of the year it is produced. No Tulelake Durum has even been put under price support or Government loan. This is another example of not costing the taxpayer any money.

John Wright, president of the Durum Growers Association of the United States, in a letter to me dated March 30, 1968, states:

The Durum Growers Association of the United States endorses your request for a permanent allotment of 12,000 acres for the Tulelake basin.

This association is made up of people from Montana, North Dakota, South Dakota, Minnesota, and myself from California.

The Department of Agriculture has stated opposition to this legislation, their primary concern, as I understand it, is the setting of precedence.

Precedence has already been established.

Congress has granted special acreage allotments to the Tulelake Basin three different times on a temporary basis for the purpose of building acreage allotments for the Tulelake Basin farmers. However, this has not been accomplished as Congress intended.

As a result, we have allotments for Durum wheat of 4,698½ acres on privately owned land in the Tulelake Basin. We ask for your favorable consideration to this bill, since other Durum producing areas approve of this bill, it will not cost the taxpayers a cent, precedence has been established, and an existing market is available.

Thank you.

Mr. PURCELL. Thank you, Mr. Nash.

Do you have a question, Mrs. May?

Mrs. MAY. Yes.

Mr. Nash, your semolina products in California are now coming from where?

Mr. NASH. Entire products, semolina products, come from our area. The entire production of Durum is our area.

Mrs. MAY. Yes; I understand that, but, from what you say, you do not raise enough Durum to supply the needs of those who are making pasta or semolina products in the State of California?

So, as I understand from the Department witness, it is too expensive to ship in there, and, obviously, the manufactured product—and this is what I am trying to establish—is coming into your State.

Mr. NASH. Well, in our particular case, General Mills buys the bulk of the Durum wheat that is produced in our area, and when they get through grinding our Durum, which they make a flour from and sell on to the macaroni manufacturer, they have completed this. They actually stop grinding Durum.

Now, the macaroni manufacturers, in some cases, substitute other types of wheat to make their macaroni products. Very frankly, this makes an inferior Durum product or semolina product. The macaroni and spaghetti, and so on, that is made from this is far inferior to the pasta product made from 100 percent Durum, and, because of this, I do not think we have the consumption on the west coast of pasta products that we could or should have.

Does that answer your question?

Mrs. MAY. Pretty much.

I am not trying to get you to give specific brand names or tell where the bulk of the shipment is from, but I assume General Mills makes semolina products elsewhere in the United States and they ship them into your State for domestic consumption, because I know that California, like other States, has a large consumption of this type of product.

Now, what I was trying to get to is: To go to the States—Mr. Freeman, from the Department, expresses the fear that should those extra acreages be granted it might have a disadvantageous effect on the price to the producer of Durum in your area.

Would you comment on that, Mr. Nash?

Do producers worry about that?

Mr. NASH. Frankly, we are not. As I indicated here in my summary, we have one user, Golden Grain, for example, who would use the entire crop if we were fortunate enough to get the 12,000 acres. So, we have no fear whatsoever of this having a detrimental effect on the price of Durum from our area.

Mrs. MAY. Yes, sir.

Mr. JOHNSON. Mrs. May, will you allow me to make just one statement?

It has been my experience, from the increased acreage, when plantings were made, that this had no effect, that they were able to sell their Durum wheat with the increased production. And I might say also, that the past considerations given by Congress in increasing the amount of acreage of Durum wheat has never had an effect upon the Durum wheat situation throughout the United States in any of the other areas. That is why we do have the approval and cooperation of the other areas. They do not appear in opposition to the legislation that is before you now, nor did they in the past, because our strong supporters—I think it was Senator Young from North Dakota who was helping us out—the two times I have been before the committee and before the Congress with this problem. And the Senators and

the Members of the House from the other States did not oppose us either—Montana or Minnesota.

Mrs. MAY. Actually, I would expect that any possible reservations on this legislation, its impact, would be more liable to come from grocery manufacturers, would it not, who have been shipping a lot of these manufactured products into your State? I mean, this is not our problem here, but I would assume that they might see less of a market for an out-of-State product made of Durum?

Mr. JOHNSON. Well, that might be quite true; but there, again, when we look at the consumer side of it they like the real products, and there is no substitute, so far, for Durum wheat.

Mrs. MAY. I know. I was thinking not only of the product that was manufactured elsewhere, North Dakota or other States, and shipped in as a manufactured product.

Mr. JOHNSON. They are just not bringing it in, I do not think, I think there is a transportation figure and, then, you get into the blends and the substitutes.

Mrs. MAY. I do not know that it has any great application, but you must get your products from someplace made out of semolina, and I am just saying that the manufactured product is shipped in, in package under brand names. So I assume that these products make up for the lack of the ability of the local manufacturer, that is, the General Mills Co., to make their products in California from locally produced Durum.

Mr. JOHNSON. Well General Mills is a very large company, as you know, and they operate throughout the United States and probably the world, but they are very much in support of this increased acreage, too.

Mrs. MAY. Well, this is what I thought was very interesting.

Mr. JOHNSON. If it was more competition to them, if they could get it elsewhere, they probably would not want to see this consideration given, because they are on record, as well as the other manufacturers on the west coast, stating that they could use this without jeopardizing any other area and that they would buy it and process it and use it. It would not be surplus and it would not be moved to other areas; it would be consumed, manufactured and consumed, on the west coast.

Mrs. MAY. Now, this question is for clarification.

In the statement by Mr. Freeman, page 2, he says:

There is a considerable acreage of barley produced in the Tulalake area of California. Consequently, under the substitution provision the wheat and feed grain program producers having both a wheat allotment and a barley base acreage can produce wheat in lieu of barley and still be eligible for wheat certificates on a specified percentage of their wheat allotments.

Would you comment on this, Mr. Nash? Or anyone of you? This disadvantage in the event of the passage of this legislation?

Mr. NASH. As I pointed out here in my report, we cannot afford to substitute it. Last year, it was a little different; we could substitute. This year, we cannot afford to substitute it. As an example, if a person has a 70-acre barley base and a 15-acre wheat allotment, and he wants to substitute the wheat for the barley base, he wants to leave 20 percent of this idle. Well, 20 percent of a 70-acre farm is 14 acres, and he simply cannot afford to leave 14 acres of this expensive ground idle. It would just put him deeper in the red in that particular year, and he just simply cannot afford it.

Mrs. MAY. I certainly can understand that, coming from a summer-wheat fallow area where we have to idle 50 percent of acreage.

What I wanted to ask you, then—and in Mr. Johnson's statement **he has made the same argument**—how much of the 570 producers in this area have 70 acres or less?

Now, I believe your statement said—and let us get this straight. Did you say there were 570 producers in the Tulalake area?

Mr. NASH. 570 farmers.

Mrs. MAY. How many of these would come under 70 acres or less?

Mr. NASH. I think I would like to ask Mr. Baghott on that.

Mr. BAGHOTT. Is that permissible, Mr. Chairman?

Mr. PURCELL. Yes, sir.

Mr. BAGHOTT. Yes, the majority of these people are under the 70-acre limitation. The homesteads were granted to these people, and some of them, actually, are as small as 45 acres, and the ones that were granted originally—but the majority, I would imagine, out of this number—there are probably not over 20 or 30 people who would have more acreage than this, and they would probably have two places, one who had sold out to them.

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

Mr. PURCELL. Mr. Sisk?

Mr. SISK. Mr. Chairman, I will only take a moment.

What is the average size farm of these 570 farmers? I know generally the answer, but for the record, what is it?

Mr. NASH. I believe about 70 acres.

Is that not correct?

Mr. SISK. I knew the size of these farms was very limited, and was limited at the time the homestead situation was set up.

Are there any substantial number of larger farms?

Mr. BAGHOTT. There are no larger farms.

Mr. SISK. I had understood that this was an area in which it was strictly a group of small farmers, and, as I understand it, Durum wheat is considered generally to be your best cash crop. Is that a proper statement?

Mr. NASH. Yes, sir.

Mr. SISK. Without adequate acreage, it does make it very difficult to substitute anything else at this elevation, and because of the frost conditions, with other substitutes it is difficult to maintain a decent living?

Mr. NASH. That is true.

Mr. SISK. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Mayne, do you have a question?

Mr. MAYNE. Yes.

First, I would like to compliment you gentlemen on your very fine statements. There was one thing in the Congressman's recent answer that interested me.

I believe you said that General Mills is on record as saying that they can use this additional production without jeopardizing any other area.

Now, as I listened to the letter which was read by Mr. Nash from the Palo Alto office of General Mills, I did not hear any such statement included in that letter.

I wonder where General Mills is on record to that effect?

Mr. JOHNSON. Well, now, as I understand it—and I am not an expert in this field—General Mills takes pretty near the total output of Durum wheat in this area. They are the taker, and when they mill the Durum wheat they stop the manufacture of Durum flour, and they would take double that amount, if they could get it.

Now, I think that pretty much speaks for itself.

Mr. MAYNE. Well, it speaks to the point that they would be glad to get more Durum wheat, but I fail to see any assurance from what you have just said, or in their letter from their Palo Alto office, that this would not jeopardize any other area of production.

Mr. JOHNSON. Well, I would go back to my original statement, that they are the taker of pretty near all of the Durum wheat at the present time, and they mill Durum wheat and make Durum flour and sell Durum flour, and they are not on record that this would jeopardize any of their other operations.

Mr. MAYNE. Well, I would certainly accept that statement.

Mr. JOHNSON. Now, I realize that they operate throughout the United States and throughout the world.

Mr. MAYNE. Well, it seems to me that this is quite a different thing to have in the record, to say that General Mills is not on record as saying that it would jeopardize any other area. That is quite a different horse than saying that they are on record as giving assurance that it will not jeopardize any other area.

Mr. JOHNSON. Well, for the simple reason that they are acquainted with the Durum wheat that is grown in the Tulelake Basin, and they would advocate the growing of more Durum wheat, and the only reason we cannot grow it is because we cannot get the allotment, and, so, I think that also speaks for itself. In addition to General Mills, the other manufacturer that we spoke of at San Leandro, Golden Grain, they would take a like amount. They would take the total production, if they could get it. That is why we have a market there that will assure these farmers a cash crop, because there is a demand, there is a demand by these millers, whether it be General Mills or Golden Grain.

Mr. MAYNE. Well, Congressman Johnson, in view of that further explanation, would it not be fair to say that so far as this record shows, at least at the present time, General Mills is not on record as saying that this could be done without jeopardizing any other areas?

Mr. JOHNSON. Well, I would not hold my statement. Maybe I was a little bit in error. Let us put it that way, and if you want, I would say that I have not received a letter. But the letter that was read and the discussions that I have had with the Durum producers and Durum growers have led me to believe that General Mills would welcome increased acreage with open arms, and so would Golden Grain.

Now, I think that that would clarify my statement, but say that you eliminate my statement altogether, it would be all right with me.

Mr. MAYNE. Well, I certainly agree with you, Congressman Johnson, that the letter read by Mr. Nash does make it clear that General Mills would welcome this increase in production.

I would like to ask Mr. Nash: You refer to Golden Grain as another processor, saying that they could use the entire 12,000 acres of additional production.

Could you give me some estimate of how much of the present acreage Golden Grain is using?

Mr. NASH. Offhand—In all honesty, I do not actually know how much they actually take. There are two primary elevators in the area that sell Durum wheat, and I do not know how much. I run one of the elevators, and I do not know how much my competitor in the area sells to Golden Grain. I can only speak for what we handle, and we handle a little over half of the Durum in the area, ourselves.

Mr. MAYNE. Well, apparently, General Mills uses a good deal of the present production.

Mr. NASH. Yes.

Mr. MAYNE. And Golden Grain is another one. Could you give us some idea of what Golden Grain's cut in the production is?

Mr. NASH. I would estimate somewhere in the neighborhood of 25 to 30 percent probably.

As I stated in my report here, all of the Durum in the area is always sold, usually by Christmas of the year that it is produced, and I know they are—it seems to me they are—always very eager to get all they can get a hold of, so there is never any problem in selling Durum; so, it is almost a matter of who happens to get it rather than how are you going to sell it.

Mr. MAYNE. Does Golden Grain use other substitutes in the production of their product?

Mr. NASH. They make a lot of other products, Congressman, such as egg noodles, and things like these, that do not require Durum as a base.

Mr. MAYNE. Thank you.

Thank you, Congressman.

Mr. PURCELL. Mr. Montgomery?

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

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

First, I would like to say that I have a very high regard for you, Congressman Johnson, and what you are trying to do here for your constituents; secondly, somehow or other I can put myself in your position, in seeking such help and such support, because it could easily be the other way around, and, thirdly, I think that Mr. Freeman presented his position and the Department's position very succinctly and very explanatory, and I think this is the reason why we can clearly see that this is such a two-sided question.

Here, Mr. Chairman, I would like to ask unanimous consent that we insert in the record a letter that I received on July 19 from Mr. John Wright, the president of the Durum Growers Association of the United States, indicating their support for this particular piece of legislation.

Mr. PURCELL. Without objection, it will be allowed. Do you want to read the letter?

Mr. KLEPPE. I will, if you want—it is short. If you want me to.

DEAR MR. KLEPPE: I am writing you in regard to the Tulalake, California durum growers. This group is associated with the U.S. Durum Growers Association.

At the present time the Tulalake Durum Growers are raising 6,000 acres of durum per year which is certainly not a large acreage when you consider the potential for macaroni products on the West Coast.

The freight rates on durum to the West Coast are so high that it makes it almost prohibitive to ship durum out there to be milled.

Considering the above facts, our organization endorses the increase in the durum acreage for the above group from 6,000 acres to 12,000 acres because we feel that due to the fact that this durum is all consumed on the West Coast it will not be too much of a threat to our market here in the midwest. None of the durum produced in the Tulalake area is exported.

Hoping you take favorable action on the above matter.

Yours truly,

JOHN W. WRIGHT, *President.*

Mr. Nash, in your statement, you indicated a desire for striking the last sentence on page 3 of the bill.

Mr. NASH. Yes.

Mr. KLEPPE. Because unless this is stricken there will be no Durum growers out there in going forward with these additional acres.

May I ask you, or ask Congressman Johnson, why is this statement in the bill originally, and what is it?

I do not want to get you two in a hassle with each other, but there is a considerable element involved here, because one provides for additional diversion payments and the other one does not, and I want to recite here that if these additional acres are granted there will be additional costs from the standpoint of wheat certificates. And then if we go the second mile and do what you are suggesting, Mr. Nash, and remove this sentence, there will be additional diversion payments applicable to these additional acres.

Will one or the other comment on this discrepancy, so to speak?

Mr. JOHNSON. Well, Congressman Kleppe, I will let the experts here answer that, but I want to explain that certainly I did not draft the bill, as you know. The bill was drafted at the request, and prepared and given to me by the Durum wheatgrowers themselves.

Now, as I understand it, under the present program of growing Durum wheat, where all of the wheat goes to millers, such as in this case, the Government does make a profit off of the operation, and under the present program it does allow the grower a small profit, and, naturally, they would like to keep that, and they would like the payments, the deferred payments, or whatever you want to call them in the legislation here, so that there would be no additional cost to the Federal Government, that it would actually be a profit.

Now, if this Durum wheat were used for other purposes, that would be something else. But where it goes to the miller and the miller pays the premium to get it, and the Government gets that; then, the deferred acreage payment back to the grower is his profit; you might say that is his profit.

Mr. KLEPPE. I will make my question—

Mr. JOHNSON. Let me ask Mr. Nash to answer that further.

Mr. KLEPPE. I will make my question pointed to you, Mr. Nash.

Do you lose interest in H.R. 485 if we do not remove the last sentence on page 3?

Mr. NASH. Would you repeat your question, sir?

Mr. KLEPPE. Do you lose interest in H.R. 485 if we do not remove the last sentence on page 3?

Mr. NASH. Of course, our problem there is that if it is not removed, it defeats our whole purpose, really.

Mr. KLEPPE. Would you answer my specific question, "Yes" or "No?"

Mr. NASH. No, I would not lose interest in it.

Mr. KLEPPE. You do not lose interest in it.

Congressman Johnson, would you make a comment on that same question?

Mr. JOHNSON. Well, I thought we had the bill drafted, or the bill was drafted, the way that they would want it. Now, certainly, when we get into these agricultural programs, it is pretty hard to work them out to the final end to find out whether it is beneficial or harmful. Now, there was a last minute consideration this morning by the two gentlemen who are here that possibly this last sentence would not be of any advantage, it would be a great detriment to the bill.

Mr. KLEPPE. This is what I am trying to get at, because there is a question here.

Mr. JOHNSON. Yes, that would be my position.

I think that they should be protected, because about the only profit, really, in this, with an average crop and under average conditions where this goes to the miller, is what is paid to them for their deferred acreage by the Government. Now, the Government gets the premium and the Government comes out on top, and in the overall where it all goes for milling, the Government is the benefactor there. They make more than the grower, but by the same token the grower makes something, too, because that is his profit, that which the Government pays him.

Mr. KLEPPE. I am not trying to speak for the Department, but I can see an opportunity here for the Department to register another objection if this sentence were to be removed.

Now, Mr. Nash, you have another comment you wanted to make?

Mr. NASH. Congressman Kleppe, one thing that probably brought this about, this bill was originally written up in 1968. At that time, the program was slightly different, and there were not any diverted acres. Now, this year, there are diverted acres; so, now, actually, the result of this bill is different this year than it was last year when it was originally written.

Mr. KLEPPE. Well, you have made a good point, and I am glad I asked you the question, because this is good information for the record, I am sure. That is all, Mr. Chairman. Thank you.

Oh, just one more question.

Which one of you gentlemen can give me an estimate of the yield per acre of Durum wheat?

Mr. NASH. I think it is approximately 70 to 80 bushels in our area. Would you agree with that, Mr. Baghott?

Mr. BAGHOTT. Yes.

Mr. KLEPPE. Is that always No. 1, 60 pounds or 58 pounds?

Mr. NASH. Yes, exceptionally heavy. This is all irrigated.

Mr. KLEPPE. All irrigated?

Mr. NASH. All irrigated.

Mr. KLEPPE. And it is all Amber Durum?

Mr. NASH. Yes.

Mr. KLEPPE. It is all amber.

Mr. PURCELL. Mr. Melcher?

Mr. MELCHER. Mr. Chairman, I want to congratulate Congressman Johnson on continuing the struggle which he has described as having gone on not only for 10 years under his guidance but prior to that time.

But, I have a question or two to direct to Mr. Nash: Mr. Nash, you do operate an elevator; is that correct?

Mr. NASH. Yes.

Mr. MELCHER. And in all of the comment and discussion here, we have not arrived at what is the cash price of Durum wheat at your elevator?

Mr. NASH. Cash price to the farmer in our area would average about \$1.75 a bushel.

Mr. MELCHER. Also, Mr. Nash—

Mr. KLEPPE. Would you yield, Mr. Melcher, for just one question?

Mr. MELCHER. Yes.

Mr. KLEPPE. That is the market price you are talking about?

Mr. NASH. Yes.

Mr. KLEPPE. Thank you.

Mr. MELCHER. And what would be added to this price in the way of freight, to get it to the millers?

Mr. NASH. This is after freight has been reduced from this. This would be the net price to the farmer.

Mr. MELCHER. And what would the freight be?

Mr. NASH. The freight rate is 38 cents a hundredweight.

Mr. MELCHER. To either of these points that you have mentioned?

Mr. NASH. I beg your pardon, sir?

Mr. MELCHER. To either of those points that you have mentioned, General Mills or the other?

Mr. NASH. Yes.

Mr. MELCHER. Well, what about the price of \$1.75—does it ever fluctuate? Has it ever been better than that?

Mr. NASH. Yes, it has. If I may: Prior to when the referendum was voted in, prior to that time, which, incidentally, our area voted just about 100 percent against it. Prior to that time the price of Durum was approximately 75 cents a bushel higher, which is the amount of the certificate. So, when the certificate program came in, it dropped just about that amount. In other words, the miller still pays the same price for his Durum, but we get that much less to return to the farmer.

Mr. MELCHER. That is all of the questions I have Mr. Chairman.

Mr. PURCELL. Mr. Zwach, you were not here.

Mr. ZWACH. I think I have got the answers, basically, to the questions I had. I have no further questions.

Mr. PURCELL. Mr. Sebelius?

Mr. SEBELIUS. I have a couple of questions here.

Now, this Bureau of Reclamation land, is there a limited number of acres you can operate?

Mr. NASH. On the Bureau of Reclamation land?

This land is always put out for lease each year, and it definitely is limited. You can only acquire one lease.

Mr. SEBELIUS. And that is why there are limited sizes on these acreage allotments?

Mr. JOHNSON. I would like to clear this up, because we are talking and asking for consideration on the privately owned only.

Mr. SEBELIUS. Private lands?

Now it averages out to 80 bushels an acre and you get a half million or more bushels of Durum wheat—Is that correct?

Mr. NASH. Not quite, about 240,000 to 250,000 bushels.

Mr. SEBELIUS. Now, what other crops do you grow out there besides wheat and barley that come under the program?

Mr. NASH. What do we raise there, do you mean?

Mr. SEBELIUS. Yes. Do you have anything else that would be affected as far as the agriculture program is concerned, besides wheat and barley?

Mr. NASH. No, sir; I do not believe so.

Mr. SEBELIUS. Well, I am truly concerned with the small farmers and their problems; however, my district grows more wheat than any other district in the Nation—no Durum, fortunately, but we average about 20 bushels to the acre every other year. Now, what can I tell my people if I am going to vote for this?

Mr. JOHNSON. Well, Mr. Congressman, I might say this: We are very fortunate to have water, No. 1, and this is an irrigated crop. Wherever you use water, it costs you a great deal more to farm with water than without it. I realize that Mother Nature does not treat us very kindly, as you say, every other year. But we get an annual production up there, and we are limited to a crop pattern. Probably you are, too. You have very few crops, and I should think you would be able to tell your people that this would not affect their wheat production or marketing one iota.

It might give our people a little more in the way of an income, to keep them on the farm.

Mr. SEBELIUS. Well, I appreciate that there is no basic answer to it, and it is one that I have to resolve myself. But that was going through my mind as I tried to have some compassion for the small farmers.

That is all, Mr. Chairman.

Mr. JOHNSON. Mr. Chairman, I would like to have Mr. Baghott heard at this time, if you are through with the questions of Mr. Nash.

Mr. PURCELL. Well, I think we have one or two more questions.

Mrs. MAY, did you have another question?

Mrs. MAY. Yes. I would like to establish for the record some facts concerning the cost factor on this program, that it will not add Federal cost, instead that the Government will make money from it. With the chairman's permission, could I ask if Mr. Freeman would comment?

Do you have any figures on how much the Government has taken in on payments on this program as outlined by Mr. Nash and Mr. Johnson?

Mr. FREEMAN. I can just say generally, that like in 1969, we are issuing producers' certificates valued at \$1.52 a bushel on an estimated amount of wheat that will be used for food, about 520 million bushels. We are, in turn, requiring processors to purchase from us certificates valued at 75 cents a bushel. Obviously, we have not made money on the certificate operations. In the 1969 program, we will pay out about \$800 million, and on the proportion I gave you, we will collect about \$400 million back from the processing.

Mrs. MAY. Would you give me those figures, again? A sum of \$800 million will be the cost?

Mr. FREEMAN. Will be the value of the certificates issued to producers on the 1969 program.

Now, we will substitute the certificate value of 75 cents, about half the value issued to the producers. We will sell these half-priced certificates back to the processors; so, we will lose or only regain about, half of what we pay out to producers in the form of certificates.

Mrs. MAY. Are you saying that the program then does cost the Government around \$400 million?

Mr. FREEMAN. Yes, ma'am. This is just on certificate operations alone.

Mrs. MAY. Just on the certificate operation alone?

Mr. JOHNSON. Mr. Chairman, might I ask a question in this regard?

Mr. PURCELL. Yes, sir.

Mr. JOHNSON. That is the overall wheat program. Now, we are talking, Mr. Freeman, about the Durum wheat program and the Tulelake Basin. I did not say that this was making a profit throughout the United States by any means, and I do not think that Mr. Nash made that statement either, but we made the statement that as it relates to our Durum production and the scale of our Durum wheat and what the Government pays the farmer in addition to what the miller pays the Government. Would you say that the miller pays to the Government more money than the Government pays to the farmer in the Tulelake Durum wheat area?

Mr. FREEMAN. I would not hazard a guess, not knowing.

If all of the wheat is for food consumption—and all of the wheat produced there is—that would be an area of the country where we collected more from that particular area but, to the extent that you mill more Durum there, you are going to mill less Durum somewhere else, or some other class of wheat. I do not think that any grocery store shelves are empty of any Durum products now. So, to the extent they are there from existing sources, if we change the source, then, some other source is going to have to back up. It does not change the national picture one iota. The same is true of any other classes of wheat. We have some classes of wheat where more is milled proportionately of the total than of other classes of wheat.

Mr. JOHNSON. Well, that is true. Our statement was given on behalf of the Tulelake Durum wheat growing area where wheat is grown on a very limited basis, marketed or sold to the miller, and the miller buys it and pays the Government, and then the Government pays the deferred acreage payment, and the Government does come out on top. I think that is a correct statement.

Mr. FREEMAN. You can take isolated cases like this, yes sir, and make that statement. But the general overall acreage all over the Nation would not change.

Mrs. MAY. Well, I wanted that in the record, Mr. Johnson, because I was confused on this, too. The Durum wheat program in the Tulelake area is not costing the Government. It is an isolated case, I realize.

Mr. JOHNSON. Yes.

Mrs. MAY. But the impact, costwise, to the Government would come on a national basis, because of less milling in other areas possibly.

Mr. JOHNSON. That is true.

Mrs. MAY. But I think that ought to be clear for the record.

Mr. JOHNSON. I fully realize that the wheat program is a very costly one on the part of the Federal Government.

Mrs. MAY. Thank you very much.

That is all I wanted, Mr. Chairman.

Mr. PURCELL. Not to get you involved too much, but I did want the record to be clear, if I know how to clear it up. Now, you said that the Government—I believe you said this—paid out, I believe, in the neighborhood of \$800 million for the wheat certificate program, I believe.

Mr. FREEMAN. For the wheat certificates, themselves, domestic certificates issued to the wheat producers.

Mr. PURCELL. OK, now. Explain what you mean when you say there is \$1.50, or something, for a certificate.

Mr. FREEMAN. The value for the certificate, for the 1969 crop, just established on July 1 or about that date, was \$1.52, and that was the difference between the national average and loan level for the 1969 crop of \$1.25 and the parity prices for wheat as of that date. So, the value—that difference then is the value of the certificates issued to the producers, \$1.52.

Mr. PURCELL. How many bushels did you issue the \$1.52 certificate on?

Mr. FREEMAN. It was about 525 million bushels. What we estimated some time ago to be the domestic food requirements in the United States for all classes of wheat for the 1969–70 marketing year.

Mr. PURCELL. Now, is that going to run to be about what percent of the total wheat produced?

Mr. FREEMAN. The allocation percentage in 1969 was 43 percent, and because of nonparticipation and yields greater than projected, we would probably—and I am just guessing—certificate 40 percent, say, of the total wheat produced in the United States.

Mr. PURCELL. I am not sure that makes the record look any better, but I hope it does.

Now, Mr. Nash, just one comment, not really a question, but we get into this everytime on this type of legislation, and if you were able to sell all this Durum wheat that you produce out there now, can you tell me why they do not pay more for it?

It looks like if there is a short supply, they ought to be paying you more.

And I am not mad at General Mills. I just want to know if it is short, and if it is good, and if it is not profitable to bring it in, why can they not raise the price a little bit?

Mr. NASH. Sir, frankly, I would like to know the answer to that question myself. I have asked it many, many times.

Mr. PURCELL. They work at something, either substitute other wheat in the west coast area or bring in the product itself some way, and they are—like Mr. Freeman said, there is not anybody short on the product, on the grocery shelf out there.

Mr. NASH. Our price essentially is established by the Minneapolis market. In other words, they usually parallel right along the same lines. In other words, you can look over a period of years and compare

our prices with what the price has been in Minneapolis in any given time of the year, and it will be about the same. Why they do not actually——

Mr. PURCELL. They establish that market by getting in there with a bunch of darts and throw them at a board, and it has about as much connection with anything else as if you just chunk rocks or something, but that is what you get paid.

Mr. NASH. Yes.

Mr. PURCELL. What they figure out in Minneapolis.

Mr. Mayne says that they take numbers off of the boxcars as they go by the window.

All right. I have no other questions.

Mr. ZWACH. I have one question, and it is for the overall picture.

This should, I think, go to Mr. Freeman.

Now, you said that the certificate payments were about \$800 million. What were the diversion payments, besides the certificate payments? There is also the diversion payment?

Mr. FREEMAN. We offer diversion payments on wheat only on the allotment that is voluntarily diverted. The producer has the choice, whether he wants to plant his full allotment or divert part of it. That payment rate is about \$17 an acre, national average, and if we get 4 million acres or 5 million acres diverted, the total diversion payments we would expect to be in the neighborhood of \$70 million or \$75 million.

Mr. ZWACH. Have you got figures for the last year?

Mr. FREEMAN. I do not have them with me for 1968.

Mr. SENECHAL. We had no diversion program in 1968.

Mr. ZWACH. For 1969?

Mr. FREEMAN. We will not really know what we will pay, as to diversion, because we are just in the compliance stage now.

Mr. JOHNSON. Will the gentleman yield?

Mr. ZWACH. Yes, I will gladly yield.

Mr. JOHNSON. You brought up a good question, about the piece of legislation that is before us, and our last sentence. Last year, there were no deferred acreage payments, and this year there is. So, with this particular tail end, this was a bill that was drafted and introduced in 1968, so it is a little out of date with the deferred acreage programs, and naturally we would not have drafted the bill with this last sentence on it.

Mr. PURCELL. Mr. Melcher?

Mr. MELCHER. Mr. Nash, just to clear up a point. I asked you the freight rate on wheat to the millers.

Mr. NASH. Yes, sir.

Mr. MELCHER. And you quoted it at 38 cents, and, ordinarily, freight rates would be quoted by the hundred; is that correct?

Mr. NASH. Yes.

Mr. MELCHER. 38 cents?

Mr. NASH. 38 cents a hundredweight.

Mr. PURCELL. All right.

Mr. Johnson, you were going to have——

Mr. JOHNSON. Yes, our next witness here is Mr. Ken Baghott, the representative from Tulalake, serving the University of California there, and he is also a farmer in the area.

STATEMENT OF KEN BAGHOTT, UNIVERSITY OF CALIFORNIA

Mr. BAGHOTT. Thank you, Bizz, Mr. Chairman, committee members, mine will be very short.

To answer Mrs. May's question I think a little better, it costs us in Tulalake—and I will present this for the—one of our cost studies from the university—\$2.15 a hundredweight to raise Durum.

Mr. PURCELL. It costs you how much?

Mr. BAGHOTT. It cost \$2.15 a hundredweight to raise Durum in the Tulalake Basin.

Now, figuring this on a 4,800-pound yield, this would cost—let me see—\$132 an acre or rather \$103 an acre, and considering the yield at \$2.75 per hundredweight for what we will receive will give the farmer in the neighborhood of \$70 an acre net profit on this kind of a yield.

Mr. PURCELL. \$70 an acre?

Mr. BAGHOTT. Right.

Now, under this year's program, they are receiving from \$45 to \$50 diversion payment on the average farm in Tulalake, so they are making, in addition to the diversion payment, we will say \$20 to \$25 an acre planting Durum wheat—in addition to the diversion payment. And, as Congressman Johnson said, we had no program last year, so this bill, as was introduced, we did not care about it. But, now we do care about it, because of the fact that the program is not the same in 1969 as it was in 1968.

Now, for Congressman Kleppe—who has left, incidentally. But, anyhow, the quality of Durum usually is Hard Amber, or at least Amber. But it is very suitable for milling, and very accepted. So, we have never had any problem at all of marketing Durum in Tulalake, and, as Mr. Nash has brought out, there is never a surplus of Durum, and it is always milled. It does not go under support programs; has never gone under support program in our area.

Now, on exports: In 1968, according to the Durum Wheat paper, published out of North Dakota—I think the committee will be interested in the figures that they give, and I will read this. It comes from Doyon, N. Dak., Dick Saunders. And he says:

As of July 1, 1968 to July 1, 1969, record Durum exports exceeded 50 million bushels compared with 31 million bushels for last year. This is a 163 percent of last year compared to 110 percent of Hard Red Spring, 62 percent of Hard Red Winter, 33 percent of Soft Red Winter, and 57 percent of White Wheat.

So, we can see that the Durum is being exported and in a much larger rate than was mentioned by the Department of Agriculture, according to the Durum Kernels, which is published out of North Dakota.

So, we are in real good shape on the Durum picture, and we cannot quite agree with the fact that they said that there is a surplus when we have exported over 50 million, and the fact that we are consuming approximately 30 million to 35 million, annually, with an increase, with a per capita consumption going up each year.

I think this is all I have.

And I would like to clarify the record in answering any other questions on this that you might have, and I would be very happy to try.

I will present these costs.

(Mr. Baghott submitted the following cost sheet:)

COSTS TO PRODUCE DURUM WHEAT, TULELAKE, CALIF., 1968

[Yield: 4,800 lbs. per acre]

Operation	Cost per acre	Total
Ditch	\$0. 50	.....
Ridge	. 50	.....
Preirrigate	1. 50	.....
Disk; 2 times (unless straw is removed or burned)	2. 50	.....
Fertilize	\$1. 00	.....
100 lbs. nitrogen at 10 cents	10. 00	.....
Harrow; 2 times .....	.....	11. 00
Seeding	\$1. 00	.....
150 lbs. at \$5	7. 50	.....
Ridge .....	.....	8. 50
Irrigate, labor	\$1. 50	.....
Water	7. 50	.....
Spray weeds; 1 pt. 2, 4-D .....	.....	9. 00
.....	.....	1. 65
Total cultural cost .....	.....	37. 65
Combine and haul 4,800 lbs. at 35 cents .....	.....	16. 80
Management 5 percent of 4,800 lbs. at \$3	7. 20	.....
Miscellaneous overhead	1. 50	.....
Rent	40. 00	.....
Total overhead .....	.....	48. 70
Total cost per acre .....	.....	103. 15
Cost per hundredweight at 4,800 lbs. yield .....	.....	2. 15

Oh, yes; Mr. Nash just mentioned that this publication also reports that there is a 9 percent voluntary reduction in Durum wheat planting in North Dakota, South Dakota, Minnesota areas which could mean as much as 12 million bushels. Of course, again, this is depending on the weather. It could be a real good year; it could be more than this; it could be less than this. But, anyhow, voluntary planting is down 9 percent with the average yield meaning 12 million bushels less production this year than 1968.

I think that is all I have, Mr. Chairman.

Mr. PURCELL. Any questions?

Mrs. MAY. I have one, Mr. Chairman.

I just want to clear up or clarify my understanding of the figures so that we get them in the record correctly, Mr. Baghott.

Now, the Department statement says that exports during 1968 and 1969 will be about 47 million bushels.

Your figures show that this export is 50 million bushels.

Is that right?

Mr. BAGHOTT. Mrs. May, this is correct. Now, the Department issued, I understand, 50 million export certificates. In other words, there were 50 million export certificates available. I also understand that these and a few more have been used.

Mrs. MAY. Mr. Freeman, would you comment on the discrepancy there, just so that we have it for the record, between 47 million bushels and 50 million—

Mr. FREEMAN. The 47 million bushels reflect our economists' breakdown of wheat exports arrived at from census reports of quantities of wheat exported, taking the stock report and the utilization figures. As to these export certificates issued, I know of no such count on that.

I think we are all in the ball park. Our figures are still estimates at 47.

Mrs. MAY. If they are not too far off, and if we do not get more precise, you feel that it would fall within the 47 million to 50 million bushel range?

Mr. FREEMAN. Yes, ma'am.

Mrs. MAY. Now, we have also heard from the Department that we will have a total Durum wheat supply for the current marketing year of 121 million bushels.

Does that agree with your figures, Mr. Nash, or Mr. Baghott?

Mr. BAGHOTT. What was it, 121 million?

Mrs. MAY. 121 million.

Mr. FREEMAN. That was the supply available during the 1968-69 marketing year from which I listed the uses, and then that gives us the carryover that we had on about July 1 just passed, to which we add 88 million bushels for the current supply.

Mr. BAGHOTT. Excuse me for just a moment, please.

I thought I had it here someplace.

Are you talking about 1967-68 production?

Mr. FREEMAN. No, sir. The 121 million relates to the production of the 1968 crop—98 million or whatever it happened to be, plus the carryover that year, which would be that supply.

Mrs. MAY. Does that sound fairly reasonable to you, Mr. Baghott?

Mr. BAGHOTT. Yes.

Mrs. MAY. And then with the 1969 crop, as of this time a large crop is expected, as I understand the July 1 estimate of the USDA is 88 million bushels. Now, you have indicated that the domestic consumption—and you are all in agreement on that—is 32 million bushels about; is that right, Mr. Baghott?

Mr. BAGHOTT. I think that this would be correct; yes.

Mrs. MAY. We are not too far apart on the figures between your estimates and that of the USDA on what will be available for domestic and export in the coming year, forthcoming year?

Mr. BAGHOTT. We used this figure, Mrs. May—and I have found it here—of 35 million bushels.

Mrs. MAY. For consumption—

Mr. BAGHOTT. For domestic consumption, and this comes from the National Durum Growers Association.

Finally, I found it here. They had a 63 million bushel production of Durum in the 1967-68 year. In correspondence with Congressman Johnson on April 9 of this year, we discussed the matter with the Durum people in North Dakota and they say there was a total in 1969, considering the supplies of Durum necessary to meet domestic and export requirements for 1969, there was a total of 98 million bushels produced. Of this, 5 percent, or almost 5 million bushels, was not suitable for milling due to weather damage.

Mrs. MAY. Oh, I see.

Mr. BAGHOTT. This gives a total of 93 million bushels produced suitable for milling in the 1968 season. Domestic consumption is estimated at 40 million and this, of course, is again, an estimation by them. The seed requires an additional 5 million bushels. The Department of Agriculture has approved an export subsidy of 49.5 million bushels.

This plus a 23-million bushel carryover from 1967-68 leaves a net total of 21.5 million carryover for the 1968-69 season.

So, this is in somewhat disagreement with you people.

Mrs. MAY. Yes.

Mr. Freeman, would you comment on the difference between what you estimate at a 32-million bushel consumption figure, as compared to the 40 million bushels estimate from the Durum people.

Mr. FREEMAN. I cannot really add much to it, except that it is awful hard to estimate specifically the use of any type of wheat. This is involved particularly for Durum where Durum prices are fairly high in relation to other classes of wheat there is a degree of substitution between other classes of wheat, primarily high protein hard wheats and it is, without real specific statistics, almost, as the chairman indicated, a little bit of the dart board approach to some of these that would not be within a few million bushels. There are all kinds of figures running around, and as long as we stay in the same ball park, that is about as close as we can get.

Mrs. MAY. In other words, again here you do not feel that there is too wide a disparity?

Mr. FREEMAN. I would not place—

Mrs. MAY. I mean between your estimates.

Mr. FREEMAN. I would not place too much significance on them.

Mrs. MAY. Thank you.

That is all, Mr. Chairman.

Mr. PURCELL. Anything else?

Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

This area, this really relates to a fairly small, particular area. Do you have any noncompliance in your wheat, among your wheat farmers? Are there any in your region who do not comply?

Mr. BAGHOTT. We did last year, Congressman. In the 1968 Durum season we did. Quite a few people planted out of the program because there was no penalty.

Mr. ZWACH. Just as much as they wanted to?

Mr. BAGHOTT. Yes; because there was actually no penalty for these people. But, 1969, this growing season which is going on right now, I do not know, and I am probably wrong, but I do not know of anyone that has planted out.

Mr. ZWACH. You know of none, so the voluntary program is practically being complied with in toto?

Mr. BAGHOTT. Yes; and this is due to the fact, as I tried to bring out in my discussion, this \$40 to \$50 payment they receive from the Government which, in turn, is paid to them by the millers at the rate of 75 cents a bushel and we are recovering a portion of this in a form that it is paid back to the Government, to the farmers, and is not in the form of tax dollars.

Mr. ZWACH. Now, did I hear right that your yield is 75 to 80 bushels an acre on the average?

Mr. BAGHOTT. This is correct.

Mr. ZWACH. At \$1.75 a bushel, it still would not be profitable to produce wheat out of compliance?

Mr. BAGHOTT. We would make about \$20 an acre, and we do this well, about this well, on barley.

Mr. ZWACH. And did I hear this gentleman right here say that he was an elevator operator?

Mr. NASH. Yes, sir.

Mr. ZWACH. Did you say the price of your Durum is decided by the Minneapolis market?

Mr. NASH. It seems it is, as near we can find out why our price is as it is, and I have talked to people that we sell to, and they say that this is the reason, that they follow the Minneapolis market.

Mr. ZWACH. Maybe that is where we ought to be checking, on the marketing system, along with this, if this is in fact a case where you have a real quality wheat, and it seems to me the market ought to be determined on that basis rather on the Minneapolis price.

You talk about small farmers.

What is the average operator?

Mr. BAGHOTT. About 70 acres. We have some as low as 42 to 45 acres. These were the original homesteads that were allocated.

Mr. ZWACH. About 70 acres in total, the entire farm?

Mr. BAGHOTT. Oh, 70 acres per farm; correct.

Mr. ZWACH. That is, in a sense, a small farm.

Mr. BAGHOTT. It is too small. It is not a good economical unit; that is just it.

Mr. ZWACH. And what do you grow in the form of barley?

How many bushels an acre?

Mr. BAGHOTT. Well, bushels? We talked about hundredweight on the coast. We talk in terms of about 3,700 to 4,200 to 4,400 pounds yield on barley.

Mr. ZWACH. Related to bushels, what would that be, Mr. Operator?

Mr. NASH. The problem is I sell Durum wheat by the bushel and I sell barley by the hundredweight. So, I am confused, too.

Mr. BAGHOTT. That would be about 80 bushels.

Mr. ZWACH. About 80 bushels. Now, is this a high-quality barley?

Mr. NASH. Yes; this is Malting barley.

Mr. ZWACH. Is the price also set by the Minneapolis market?

Mr. NASH. No, sir.

Mr. ZWACH. You have your own market?

Mr. NASH. Yes; this is entirely on its own.

Mr. ZWACH. Do you get a dollar and a half a bushel?

Mr. NASH. No.

Mr. ZWACH. Something under that?

Mr. NASH. About a dollar and a quarter.

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

Mr. NASH. Not even that high, about \$1.15 to \$1.20 per bushel would probably be about the average price on the Malting barley.

Mr. ZWACH. Your best grade of Malting barley?

Mr. NASH. Yes, sir.

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

Mrs. MAY. Mr. Nash, could you give us estimated figures on what would be the average income of one of your producers, farmers down there, on these 70 acres?

I realize that they may have a few crops other than Durum and barley; and I do not know, they may vary their acres, but—

Mr. NASH. The net income on the entire farm?

Mrs. MAY. Yes; what would be a good average income for this Tule-lake area—I mean what would be a good figure to use here?

Mr. NASH. I would say, probably somewhere in the neighborhood on an average of \$1,500 to \$2,000.

Do you agree with that, Ken?

Mr. BAGHOTT. I think that with depreciation and everything considered, possibly you are right. However, I think, under the poverty program, most of these people would qualify.

Mrs. MAY. Most of these people would qualify under the poverty program, for their net income?

Mr. BAGHOTT. I think so.

Mr. NASH. A high percentage of these people, Congresswoman May, work outside—they have outside jobs.

Mrs. MAY. They must have.

Mr. BAGHOTT. They do have outside employment, right, the majority of them. Probably they will run in the neighborhood of \$3,000 to \$4,000 net income without depreciation of equipment. Now, where they make money—in other words, when they purchase equipment, of course, they come back to the depreciation, and this helps them out until they have to replace equipment and, then of course, they are hurt again.

Mrs. MAY. In other words, you have no one really in this work that you would consider wealthy—

Mr. BAGHOTT. We do not know of any in our area.

Mrs. MAY. Or above average income?

Mr. BAGHOTT. There are just not any wealthy people in our area; there are no wealthy farmers; they are all small farmers.

Mrs. MAY. Really, their status of income would be determined on how good a job they had off the farm; is that right?

Mr. BAGHOTT. To a large extent, I think this is correct.

Mrs. MAY. But there are no absentee landlords here, or anything; they are living on their property?

Mr. BAGHOTT. Yes; they are. Some of the homesteaders' husbands have passed away. These wives, some of them have moved out and are perhaps renting their land to the adjacent owner, or something like that.

Mrs. MAY. About how many of those 500 or so producers would be absentees?

Mr. BAGHOTT. Well, only—there would be very few of the men. The women who cannot farm it, and this is a real hard figure to come up with. Can you imagine, Lyonel, there are 25 or 30 women who have moved out or who are absentee owners?

Mr. NASH. Yes; I would say at least that many.

Mrs. MAY. But the bulk of them are actually farming and earning income, so that they can stay on the farm?

Mr. BAGHOTT. Right.

Mr. PURCELL. Any other questions?

Mr. Freeman?

Mr. FREEMAN. Mr. Chairman, before these gentlemen leave. I would like to get a point clarified.

They suggested in their testimony that one part of this bill be stricken.

I think maybe there is a misunderstanding here due to our own bureaucratic language.

The certificate payments are one thing and diversion payments are something else.

Now, what we construe this bill to mean in its original form was that the additional allotments that you gave were given under the provisions of this bill and could not be diverted voluntarily, and for payment, and it would seem to be inconsistent with the purposes of the bill. You have in the bill authorized yourself to receive the certificate payments but not diversion payments, as we call them. Now, that is the difference in just language, I am sure.

Mr. BAGHOTT. Well, we called this morning, and we did not get a chance to talk to Mr. Schoonover and Congressman Johnson, and I could not get this through our heads, quite yet, exactly what you mean. Maybe Jake could.

Mr. SCHOONOVER. Well, the thing that bothers me about it: The sentence before the one that you want to strike out reads as follows:

The increase in the wheat acreage allotment for any farm under this subsection shall be conditioned upon the production of Durum wheat on the original allotment and on the increased allotment.

Now, if you get the increased allotment only if you grow it, I do not see how you could get a diversion payment for diverting from the allotment.

Mr. BAGHOTT. Are we getting a diversion payment now?

I do not know whether we are, and this is what we have been trying to find out.

Mr. SCHOONOVER. Well, you are, if you did not have this bill. You would get a diversion program to the extent that you diverted, I take it.

Mr. BAGHOTT. Well, Mr. Chairman—

Mrs. MAY. Go ahead. We are interested.

Mr. BAGHOTT. Let us assume—and I have to get this straight myself. I do not understand this, and that is the reason we called up.

Let us assume I have a 15-acre wheat allotment, which I do.

Mr. SCHOONOVER. Fifteen acres, you say?

Mr. BAGHOTT. Fifteen acres—15.1, to be exact. I received payment for this of \$680—something like this.

Mr. SCHOONOVER. You mean certificates?

Mr. BAGHOTT. I do not know what it is. The Government gives me this, and I wish I knew what it was. And every farm in Tulelake is the same way. We assume, by having the millers pay 75 cents a bushel that this was our recovery of this price which automatically went down about a dollar a hundred, and we were getting this back. Is this about it, in a nutshell? What is it we are getting?

Mr. SCHOONOVER. Well, as of now, you are only getting certificate payments. Is that not right?

Mr. BAGHOTT. Well, this is all we want, then.

This is all we want.

Mr. SCHOONOVER. Now, your diversion payment is something additional, and that is paid to you for the cut below your allotment, additionally.

Mr. BAGHOTT. Well, I diverted 3.1 acres, took it out of production, and I figured that by taking the 3.1 acres out of production, as I was instructed to do by the ASC, I was getting paid at this rate.

Now, am I, or not?

MR. SCHOONOVER. Well, you are talking about a future payment, are you not? For 1969?

You are diverting in 1969; you are cutting out some acreage?

MR. BAGHOTT. In 1969, I have taken this out; yes.

MR. SCHOONOVER. We are going to have a diversion payment for 1969, but to get that payment you have to reduce from your allotment to get down to a certain level, do you not?

MR. BAGHOTT. I have to take off 10 percent of the acreage, which would be 1.5, 1.51 acres. Is this right?

MR. SCHOONOVER. Well, let's ask Mr. Senechal, he is the administration man.

MR. SENECHAL. I think maybe I can clarify this question.

First of all, as indicated by Mr. Freeman, the striking out of the last part of that bill would seem to be in conflict with the intent of the bill to begin with.

First of all, they wish to get increased allotment because they feel they need more Durum production.

Well, the diversion program is to reduce production, not to increase it. We make the diversion payment in various parts of the country to encourage farmers to reduce below the allotment to get less production.

Now, I think possibly where these gentlemen are confused here is that under our wheat program we have two kinds of diversions: We have what we call the qualifying diversion, or sometimes called the required diversion, and this is if the national allotment is reduced below a certain level the farmer is required to divert a percentage of acreage and set it aside to a conserving use, and not take any crop off of that as a condition of eligibility for certificates and loans. Now, this is what we call qualifying or required diversion. There is no payment made on that specific acreage at all.

In 1969 this qualifying or required diversion amounted to 15 percent of the allotment that he received, and there was no payment made on that.

Now, the additional diversion is the diversion for which we make payment, and this is based upon 50 percent of the county's loan rate, half of the loan rate. Now, this payment is made for reducing acreage further down below the allotment. If, for example, he has an allotment this year of 100 acres, and he planted only 50, he would get diversion payment for 50 acres. However, he also had to divert 15 acres for free in that instance in order to be eligible for payment for additional diversion, certificates, and loans.

I hope, maybe, this clarifies this just a little bit.

If there is any further question, I will be glad to answer.

MRS. MAY. Well, let the gentlemen ask the questions.

I think that Mr. Baghott or Mr. Nash should ask the questions.

MR. NASH. Mr. Chairman, if I may, I should like to ask: Am I clear in assuming or understanding that if we got our 12,000 acres, this additional amount, then we would get the pro rata or the same amount for these additional acres returned to the farmer as we are getting now for our allotment that we presently have?

MR. SENECHAL. Yes.

Mr. NASH. Well, this is what we want then.

Mr. BAGHOTT. This is what we want.

Mr. NASH. This is what we want.

Mr. SENECHAL. The payment that you have now is for the certificates which you earned by planting within your allotment and diverting an acreage equal to 15 percent of that allotment. The diversion payment is for reducing plantings below the allotment.

Now, as I understand it, you do not want to do that; you want to increase the acreage.

Mr. BAGHOTT. No; we do not want to reduce it, no.

Mr. SCHOONOVER. Well, the point is you cannot get a diversion payment unless you reduce, and so it seems to me it is entirely inconsistent to strike out that last sentence.

Mr. PURCELL. Mr. Nash has a question.

Mr. NASH. Mr. Chairman, if I may, then, I would like to change my request for striking that out and leave it as it is. Thank you for the clarification.

Mr. PURCELL. I will tell you, Mr. Nash, we are used to dealing with people in political lives where things change rather rapidly; so, we will go along with you on that.

Mr. KLEPPE. Mr. Chairman, this answers my question, and I am satisfied. This is what I was trying to get at, and we did not get the full clarification of it. This is why I am glad that we have it now.

Mr. NASH. Thank you.

Mr. JOHNSON. Mr. Chairman, I might say that the author of the legislation is a wee bit confused, and I will let the recommended amendments or deletions go until further consideration is had by all concerned, because our wheat program people in California certainly did not apprise these people and they could not understand the ASC committee recommendations.

Now, we have had a little difference of opinion here, where we have had to get to the bottom experts, and I assure you, I am not quite clear myself right now. But I want to thank you for the time given, and the wonderful attention of the committee. And as a lay person, I know very little about these programs, I never have been a farmer, but we do have a large agricultural business in my district, and we have all sorts of programs, and I try to do my best to represent my people. If they have a problem—this is their cash crop. And, so, if you can give us any consideration, we would certainly appreciate it.

Mr. PURCELL. Mr. Johnson, let me just say that we can also certify that your efforts have helped this committee, because, year after year, you have dealt with the committee and myself, and you certainly have not been short on trying to see something done.

Mrs. MAY. I would just like to echo the chairman's sentiment on that, Mr. Johnson.

Also, I might suggest that when you return to your people that you request the gentlemen here today, Mr. Freeman and Mr. Schoonover, to prepare a letter for you so that Mr. Nash and Mr. Baghott can carry it with them, saying what would be the impact of this bill without the language, because these things are very difficult to get at, even by com-

mittee members, and we are supposed to know something about it. I am very glad we have had this clarification and discussion on what the impact of the bill would be.

(The subcommittee also received the following telegram:)

PALO ALTO, CALIF., July 23, 1969.

MESSRS. LYONEL L. NASH and KEN BAGHOTT,
Care Congressman Harold T. Johnson,
New House Office Building, Washington, D.C.:

Approval of H.R. 485, S. 858 will have no overall detrimental effects on Durum consumption nationally.

THOMAS J. LEE,

Manager, Grain Operations Sperry-West General Mills, Inc., Palo Alto, Calif.

Mr. PURCELL. Well the subcommittee will stand in recess, and I will ask the committee members to remain for just a moment.

(Whereupon, the subcommittee recessed, subject to the call of the Chair.)





